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Pennsylvania Business Survey

October 1988

GOOD NEWS ON EMPLOYMENT FRONT IS SOMEWHAT TEMPERED

(This portion of the Survey is being kept brief this month in order to devote more space and resources to the introductio of the "Pennsylvania Manufacturing Activity Index" which is found on page three.)

Analyzing August economic trends in Pennsylvania merits caution as some conflicting signals have emerged. For instance, the report on employment and unemployment is perhaps one of the most encouraging to have been released since the onset of the recovery more than five years ago. At the same time, the other widely watched indicator of employment trends, nonagricultural job levels, was essentially unchanged from July readings.

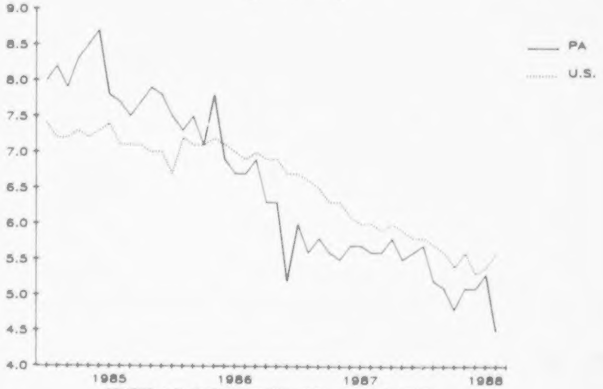
The strength of the improvement in the labor force indicators caught many by surprise. Employment of Pennsylvania residents rose by 100,000 to surpass the 5.5 million (seasonally adjusted) mark for the first time. As a result, the jobless rate plunged by 0.8 percentage point to a seasonally adjusted reading of 4.5 percent, its lowest reading in nearly 15 years. Furthermore, just as it has for the past two years, Pennsylvania's unemployment rate remained below the nation's in August (see chart). However, employment trends over the past few years have not been overly impressive in Pennsylvania relative to the U.S. Indeed, as shown in the accompanying chart, the Commonwealth has turned in a performance over that time span that is very similar to that for the U.S. Hence, as pointed out several times in the past in the *Survey*, a relatively slow growing labor force has also made a contribution to the partial eradication of Pennsylvania's unemployment problem.

In that trends in nonagricultural payrolls were not consistent with the drastic improvement recorded in resident employment, it is best not to get overly excited. Specifically, **job totals in Pennsylvania nonfarm establishments came to 5.06 million in August for its highest reading for the month on record. However, after adjusting for the normal seasonal ups and downs which occur from month-to-month and do not reflect the underlying strength of job trends, the number of positions in these industries rose only slightly from July estimates.** In light of these relatively unimpressive trends on the nonagricultural jobs front, the employment and unemployment data for the next few months merit extra-close attention to determine if August's strong showing represents a new, more impressive trend, or if it was only a temporary improvement.

Despite a solidifying of job levels at record high levels in the building industries, **construction activity appears to be slacking off.** Total contract awards were off nearly $300 million from year ago readings in August, with the decline concentrated in the nonresidential and nonbuilding categories. The situation also worsened when comparisons are made with July activity and normal seasonal trends are discounted.

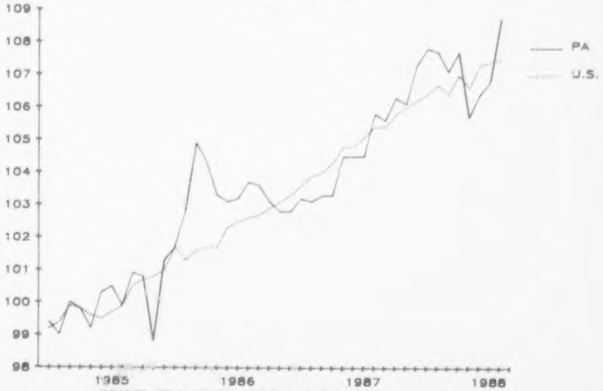
Of the three categories tracked, residential activity appears to be turning in the most impressive performance.

UNEMPLOYMENT RATE TRENDS IN PA AND THE U.S.
(percent)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

EMPLOYMENT TRENDS IN PENNSYLVANIA AND THE U.S.
(1985=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

But even here, gains recorded over the past several months fail to match up to those turned in earlier in the decade. The number of housing units authorized for construction by permit in each of the past four months has been less than in the year-ago month. Furthermore, the year-to-date gain in the value of residential contract awards which includes, among other things, improvements and modernizations in addition to new construction, although still positive, suggests that growth in activity began to ease in 1987 after a lengthy period of fairly rapid growth.

Elsewhere, activity in the State's steel mills remains on a path of slow but steady improvement. August also brought with it a surge in coal output in the Commonwealth's mines where tonnage has increased by a respectable amount so far this year. On a more negative note, retail sales growth slowed in July, the most recent data available. However, given the positive news which has characterized these industries over the past several months, it is much too early to label this the start of a downward trend, although future months merit close examination.

In conclusion, it does appear that Pennsylvania's economy continued to grow during August. However, **the fact that there were a number of conflicting signals suggests that there is room for improvement and the continued health of the economy, although likely, is not assured.**

— William D. Anderson

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	July	*August*	*August*	*July*	*August*	*August*	*July*	*August*	*August*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,057*	5,058	4,939	5,044*	5,048	4,928	110.5	110.6	107.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,000*	4,001	3,890	3,990*	3,996	3,885	123.8	124.0	120.5
Mining	30	30	31	29	29	30	60.4	60.4	63.3
Contract construction	257	259	246	238	239	225	129.5*	129.9	122.5
Transportation	136*	136	135	141*	141	140	87.7*	87.4	87.0
Public Utilities	106	106	106	105	105	105	104.3*	104.5	103.9
Wholesale trade	270*	270	267	267*	267	264	120.5*	120.5	119.2
Retail trade	877	875	865	876*	872	863	122.1*	121.6	120.3
Finance, insurance & real estate	301*	302	297	297	298	293	136.5*	137.0	134.6
Service & miscellaneous	1,353*	1,353	1,284	1,347*	1,350	1,281	156.1*	156.6	148.5
Federal government	144	143	144	142	142	144	111.1	111.1	112.1
State & local government	525*	527	515	545*	550	538	93.6*	94.3	92.3
Manufacturing									
No. of wage and salary jobs (thous.)	1,051*	1,056	1,047	1,054*	1,052	1,043	78.5*	78.4	77.7
Durable goods	605	603	593	604	602	592	74.6	74.4	73.1
Nondurable goods	446*	452	454	449	450	451	84.4	84.5	84.8
Ave. wkly. hrs. worked by prod. workers	40.8	40.8	41.1	40.9	40.9	41.2	103.5	103.4	104.2
Total wkly. person-hours worked (mils.)	29.3	29.5	29.2	29.5	29.4	29.1	76.7*	76.6	75.9
Total wkly. payroll (mil. dols.)	301.0*	302.5	290.9	304.1*	303.1	291.7	135.3*	134.9	129.8
Average hourly earnings (dollars)	10.28	10.25	9.96	10.30	10.30	10.02	176.1*	176.1	171.3
Average weekly earnings (dollars)	419.42	418.20	409.36	421.95	420.72	412.15	182.4*	181.9	178.2
Steel production (thous. tons)	1,142*	1,083	1,051	n.a.	n.a.	n.a.	56.7*	55.7	54.2
Industrial electric power sales (mil. kwh)	3,849	4,026	3,827	3,800	3,939	3,726	102.9	106.7	100.9
Mining									
Anthracite coal (thous. net tons)	309	451	441	301	382	391	61.6	78.1	80.1
Bituminous coal (thous. net tons)	5,538	8,010	5,705	6,493	7,816	5,511	92.1	110.8	78.1
Construction contracts awarded (mil. dols.)									
Total	818.6	806.1	1,091.5*	738.7	699.1	999.4*	229.6	217.3	310.6*
Residential building	392.8	437.3	363.9*	338.1	370.6	321.8*	240.2	263.5	228.6*
Nonresidential building	238.2	265.3	536.8*	239.7	205.6	463.1*	220.9	189.7	426.8*
Nonbuilding (utilities and public works)	187.8	103.5	181.7*	160.9	122.5	214.5*	222.0	169.0	295.9*
Retail Sales (mil. dols.)	6,290	n.a.	6,237†	6,258	n.a.	6,215†	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,568	5,680	5,534	5,429	5,525	5,381	113.0	115.0	112.0
Unemployed									
No. of persons (thous.)	315	249	303	304	261	315	75.7	65.1	78.6
Rate (percentage of labor force)	5.3	4.2	5.2						
Rate, seasonally adjusted				5.3	4.5	5.6			
Civilian labor force, no. of persons (thous.)	5,882	5,928	5,837	5,733	5,786	5,696	110.1	111.1	109.4
Initial claims for unemployment benefits	82,617	64,065	63,113	82,103	77,357	82,525	57.3	54.0	57.6

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1988		1987	*Month Ago*	*Year Ago*
	July	*August*	*August*		
U.S. city average	118.5	119.0	114.4	+0.4	+4.0
Philadelphia	123.2	123.9	118.4	+0.6	+4.6
Pittsburgh	n.a.	115.3	112.0	n.a.	+2.9

[1] Total includes workers on strike. * = figure revised † = figure for July 1987 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

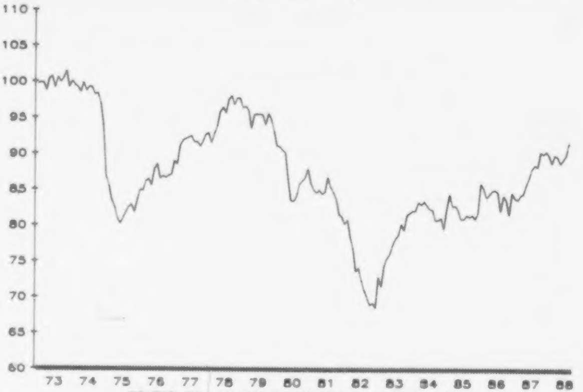
The Pennsylvania Manufacturing Activity Index

A good deal of attention has been given to the so-called "decline" of the manufacturing sector in the Commonwealth, not only in the *Pennsylvania Business Survey*, but elsewhere as well. For the most part, these discussions have focused on trends in job levels and, to a somewhat lesser extent, income. At the same time, we have often footnoted these analyses with a caution. Specifically, we pointed out that, although no hard data existed, it was quite likely that job and income information perhaps did not provide a true reflection of production activity in Pennsylvania's factories. Indeed, it is for this reason that information pertaining to industrial power sales and total hours worked has historically been a part of the *Survey's* focus, since these indicators may shed additional light on production trends. Still, these series only provided circumstantial evidence with respect to industrial output, which, in the absence of reliable data on the physical output of goods, was about the best that could be done.

However, a good deal of recent research, a fair portion of which has been initiated by regional Federal Reserve Banks, has focused on the development of methodologies pertaining to the construction of regional and state-level industrial production indexes. As a result, Penn State's Center for Regional Business Analysis has, over the course of the past several months, applied these various methodologies to Pennsylvania and developed a Pennsylvania Manufacturing Activity Index (PMAI), which is illustrated in the accompanying chart. In a nutshell, the PMAI suggests that the long-term trend in manufacturing output, stretching back over 15 years, has been slightly downward. In that activity tends to move with the business cycle, the index has increased since 1983, although factories do appear to be struggling to regain all of the ground lost in the most recent recession. Because of the difficulties experienced in the late 1970s and early 1980s, production in Pennsylvania manufacturing establishments remains about 10 percent below 1973 levels, the base year of the index.

The index is based on historical trends in the annual behavior of the share of output (real value added by manufacturing) accounted for by labor (represented by hours worked) and capital (represented by industrial power sales) and the productivities of these two factors. Value added represents the value of shipments less the cost of purchased intermediate materials, summed over each stage of the production process which, when adjusted for inflation, is a good proxy for physical production. Included in value added are primarily returns to labor and capital and, to a lesser extent, capital recovery, profits, interest on debt, taxes, and the purchase of business services. Much of this information is obtained from annual reports provided by the U.S. Bureau of the Census. These annual trends are applied to intervening months (the interpolation process) and, since the historical data is released with a considerable lag, extrapolated out to the present. These trends and patterns, in conjunction with information on total hours worked and industrial power sales, which we have access to on a monthly basis after only a brief lag, allow us to estimate real value added on a monthly basis for Pennsylvania's manufacturers.

PENNSYLVANIA MANUFACTURING ACTIVITY INDEX
(1973=100)

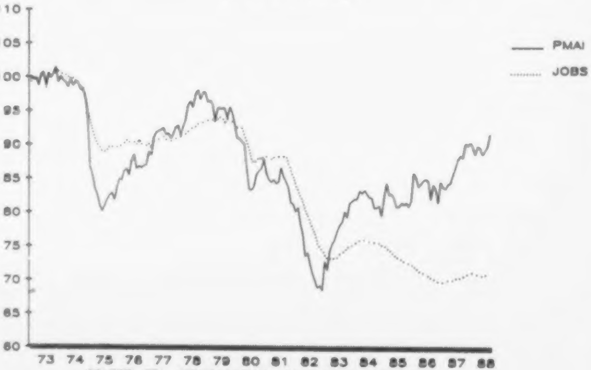


SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

Two points merit further attention. First, it does appear that recent job trends, say, stretching back to 1983, have failed to provide an adequate reflection of overall production trends. Specifically, it appears that production has been able to move forward while job levels have been on a downward trajectory (see chart). This is due to the fact that the average worker in Pennsylvania's manufacturing sector has become more productive per hour worked. Indeed, through the first eight months of this year, manufacturing jobs in the Commonwealth have declined by 7 percent since the trough in the business cycle around 1982/1983. At the same time, production has grown by approximately one-fifth.

Second, and on a more negative note, it does appear that, as with nearly all long-term indicators of economic activity, industrial production trends in Pennsylvania are worrisome when compared to those for the U.S., as shown in the accompanying chart. Other researchers have often made comparisons of regional industrial production indexes to the U.S. index as tabulated by the Federal Reserve. Such a comparison suggests that Pennsylvania has trailed the U.S. by a considerable margin. While production in the Commonwealth currently remains below levels from 1973, the base year of the index, U.S. manufacturing output has advanced by approximately 50 percent. However, because of differences in

PENNSYLVANIA MANUFACTURING ACTIVITY INDEX AND
PENNSYLVANIA MANUFACTURING JOBS
(1973=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

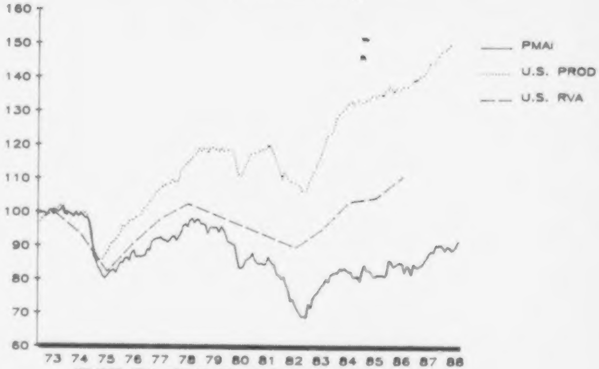
methodologies, such a comparison may not be appropriate. Ideally, comparisons should be made between the PMAI and a similar index using identical methodologies for the U.S. In the absence of such an index, a comparison is made through 1986 with the annual totals for real value added for U.S. manufacturers. Although this also shows the Commonwealth lagging the U.S., the shortfall is not nearly as large as when comparisons are made using the U.S. industrial production index.

The development of such an index provides us with yet another tool to analyze the Pennsylvania economy and, as a result, the PMAI will become an important component of the monthly analyses contained in the *PBS*. Some caution, however, is warranted in interpreting the index. Its fit with historical "actual" data is nearly perfect. However, over the extrapolated portion of the index (currently stretching back to 1987 since real value added data is available only through 1986) it is perhaps best to treat the index as a qualitative as opposed to a quantitative measure of manufacturing production trends since this portion of the index is subject to revision. Nonetheless, statistical tests have shown that earlier extrapolation periods did pick up turning points and provided a reliable indicator of output trends. In a nutshell, it is best to focus on long-term trends in the Pennsylvania Manufacturing Activity Index rather than on month-to-month movements in the index.

— *William D. Anderson*

(This is a summary of a paper presenting a more detailed analysis of the Pennsylvania Manufacturing Activity Index and its construction. The availability of the paper will be announced in an upcoming issue of the Survey.)

PMAI, U.S. INDUSTRIAL PRODUCTION, AND
U.S. REAL VALUE ADDED
(1973=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

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SLOWER GROWTH UNLIKELY TO DERAIL ECONOMY IN NEAR-TERM

Recent trends suggest that overall **economic growth in Pennsylvania may be slowing somewhat, just as it is throughout the nation, but conditions remain far from discouraging.** Indeed, 1988 may prove to be one of the most encouraging years of the decade when January 1*st* roles around. This is quite impressive in light of the fact that such robust gains are typically found early in a recovery period, rather than five or six years into an expansion.

The strength of the 1988 economy in Pennsylvania is evident in the accompanying chart which shows that **in ten of the Commonwealth's 15 metropolitan areas, nonfarm job growth through the first nine months of the year is running at a pace which exceeds the average from the 1983-1987 period.** It is also important to note that within the western portions of the Commonwealth, only the Altoona region, or Blair County, has fallen short of the 1983-1987 average. This suggests that growth has been somewhat more balanced across geographic regions relative to previous years.

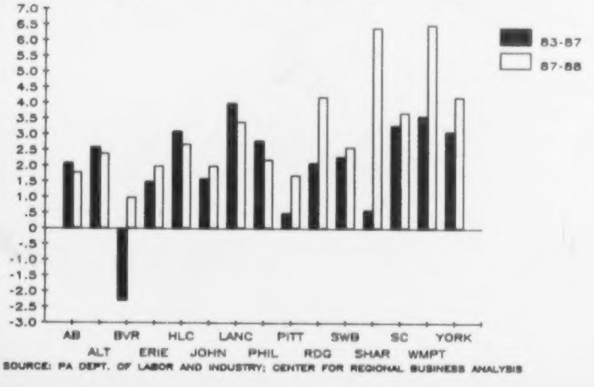
Data recently released by the U.S. Bureau of Labor Statistics suggests that some ground relative to the U.S. may have been made up in 1987. Specifically, the BLS information shows that average annual pay for all industries in Pennsylvania rose 5.2 percent in 1987 compared to a 4.5 percent rise for the U.S. as a whole. What is even more intriguing is the fact that average pay in only two industries, construction and government, was higher in Pennsylvania than in the nation. As a result, annual pay for all industries in the Commonwealth was only 98 percent of the U.S. average. Hence, Pennsylvania's designation as a "high wage" state may need some refinement.

A major cause for the economy's relatively strong showing may be found in the factory sector. **While factory job levels declined slightly in September, 1988 has brought with it an end to the nearly continuous job losses racked up by these industries over the course of the past few years.** Indeed, manufacturing job totals were up approximately 5,000 in September from year-ago readings. Through the first nine months of the year, factory-related jobs have averaged about 1.05 million which, if carried on into the final months of the year, would represent the highest total since 1985. Even more encouraging has been the performance turned in by the State's manufacturers with respect to production (see chart). **After holding steady for close to three years, the Pennsylvania Manufacturing Activity Index began to rise in early 1987 so that it now stands at its highest reading since the late 1970s.**

While the manufacturing job picture may not have been especially encouraging when the analysis is limited to the month of September, other indicators of the factory sector's health were quite impressive for the month. For instance, the average workweek, at 41.4 hours, was the highest on record after seasonal trends are discounted. Furthermore, three measures of the earnings of manufacturing workers, total weekly payrolls, average hourly earnings, and average weekly earnings, each turned in rather large gains during the month. Also, steel production rose to one of its highest levels of the recovery in September.

After seasonal trends are eliminated, **the picture on the nonmanufacturing job front appears to have been fairly stable in September.** Job levels typically rise by a con-

PA METRO AREA NONFARM JOB GROWTH:
1983-1987 AND 1987-1988 YTD
(in percent; average annual rates)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; CENTER FOR REGIONAL BUSINESS ANALYSIS

PA average annual pay by industry

	1987 ave. ann. pay	Pct. of U.S.	86-87 pct. change PA	86-87 pct. change U.S.
Total	$20,408	97.9	5.2	4.5
Mining	30,822	93.5	4.9	1.2
Construction	24,001	103.8	5.1	4.2
Manufacturing	24,987	97.3	3.7	3.2
TPU	27,202	99.3	2.6	3.2
Wholesale trade	25,249	97.0	6.7	4.9
Retail trade	10,720	93.1	4.1	3.4
FIRE	23,751	91.4	6.4	7.2
Services	18,466	97.6	8.0	7.2
Government	22,118	100.2	5.9	4.6

Source: U.S. Dept. of Labor, Bur. of Labor Statistics siderable amount during the month, largely because of the reopening of schools which raises the number of individuals on payroll in the "State and local government" category. During this past September, nonmanufacturing jobs rose 13,000 before seasonal adjustment, with 11,000 of those "new" jobs coming in State and local government. These gains were slightly larger than normal for the month. As a result, nonmanufacturing jobs remained at a record high in September in settling at slightly over 4 million.

One of the bright spots within the nonmanufacturing sector over the past several years has been retail trade. Since the onset of the recovery in 1982 and 1983, retail establishments have increased employment by 17 percent compared to a 10 percent gain for all nonfarm industries. The accompanying chart shows that retail sales growth in Pennsylvania exceeded growth in the U.S. each month but one between mid-1985 and May of this year. However, in each of the past three months, sales growth in the Commonwealth has failed to match or exceed growth throughout the nation.

Although the number of Pennsylvanians officially counted as employed fell by 26,000 on a seasonally adjusted basis in September, the general trend in employment remains upward. In fact, this most recent showing comes on the heels of a gain of nearly 100,000 recorded during August. **So far this year, employment is up by 160,000 from the first nine months of 1987. As a result, the number of residents counted as unemployed has declined by nearly 23,000 despite an increase in September when the jobless rate**

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
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Public Utilities	106	105	105	105	105	105	104.7*	104.4	104.2
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Retail trade	879*	882	870	876	877	865	122.1*	122.3	120.6
Finance, insurance & real estate	302	299	294	298	298	293	136.9*	137.1	134.5
Service & miscellaneous	1,356*	1,357	1,290	1,353*	1,351	1,285	156.8*	156.6	148.9
Federal government	143	143	142	143*	144	143	111.3*	112.2	111.5
State & local government	526*	537	529	549*	552	544	94.2*	94.8	93.4
Manufacturing									
No. of wage and salary jobs (thous.)	1,056	1,055	1,050	1,052	1,049	1,044	78.4	78.2	77.8
Durable goods	603	603	596	602	600	593	74.3*	74.1	73.2
Nondurable goods	453*	453	455	450	449	451	84.5	84.3	84.7
Ave. wkly. hrs. worked by prod. workers	40.9*	41.4	40.8	41.0*	41.3	40.7	103.7*	104.5	103.0
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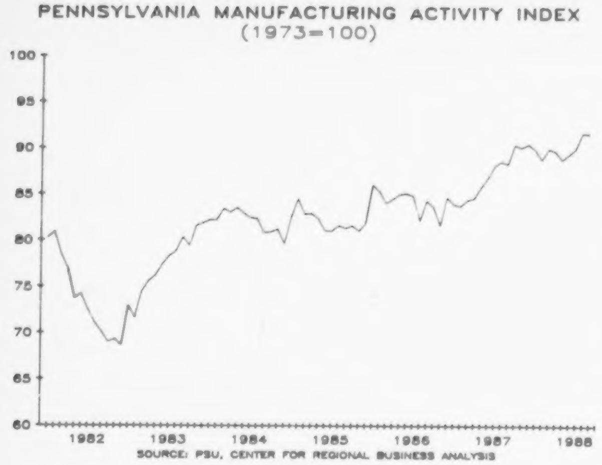
Average weekly earnings (dollars)	419.23	429.32	412.08	421.76	428.46	411.15	182.3*	185.2	177.7
Steel production (thous. tons)	1,090*	1,171	1,047	n.a.	n.a.	n.a.	56.2*	64.2	57.4
Industrial electric power sales (mil. kwh)	4,026	3,929	3,762	3,939	3,902	3,720	106.7	105.6	100.7
Mining									
Anthracite coal (thous. net tons)	451	395	441	382	359	391	78.1	73.4	80.1
Bituminous coal (thous. net tons)	8,010	7,667	5,763	7,816	7,798	5,598	110.8	110.6	79.4
Construction contracts awarded (mil. dols.)									
Total	806.1	924.8	815.0*	699.1	899.9	828.0*	217.3	279.7	257.4*
Residential building	437.3	418.8	361.9*	370.8	376.3	351.2*	263.5	267.4	249.5*
Nonresidential building	265.3	413.8	280.4*	205.8	416.1	272.3*	189.7	383.5	251.0*
Nonbuilding (utilities and public works)	103.5	92.2	175.9*	122.5	107.5	204.5*	169.0	148.4	282.1*
Retail Sales (mil. dols.)	6,600	n.a.	6,293†	6,476	n.a.	6,178†	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,680	5,549	5,418	5,525	5,499	5,369	115.0	114.4	111.7
Unemployed									
No. of persons (thous.)	249	296	297	261	316	317	65.1	78.7	79.1
Rate (percentage of labor force)	4.2	5.1	5.2						
Rate, seasonally adjusted				4.5	5.4	5.6			
Civilian labor force, no. of persons (thous.)	5,928	5,845	5,715	5,786	5,815	5,686	111.1	111.7	109.2
Initial claims for unemployment benefits	64,065	55,407	61,714	77,357	71,279	77,503	54.0	49.8	54.1

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1988		1987	*Month*	*Year*
	August	*September*	*September*	*Ago*	*Ago*
U.S. city average	119.0	119.8	115.0	+0.7	+4.2
Philadelphia	123.9	125.2	118.7	+1.0	+5.5
Pittsburgh	115.3	n.a.	112.0†	n.a.	+2.9

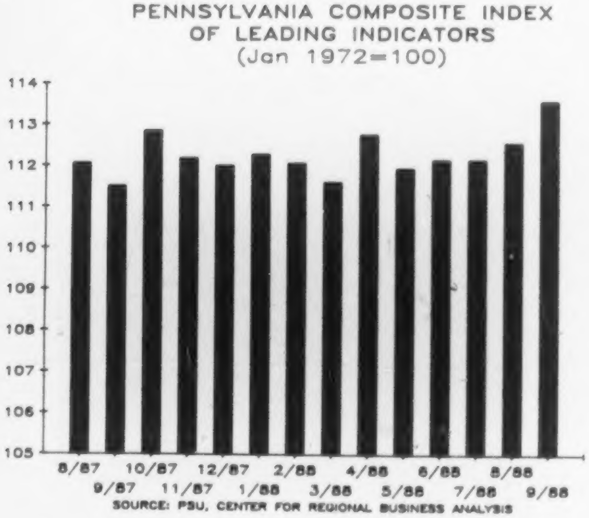
[1] Total includes workers on strike. * = figure revised † = figure for August 1987 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PENNSYLVANIA MANUFACTURING ACTIVITY INDEX
(1973=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

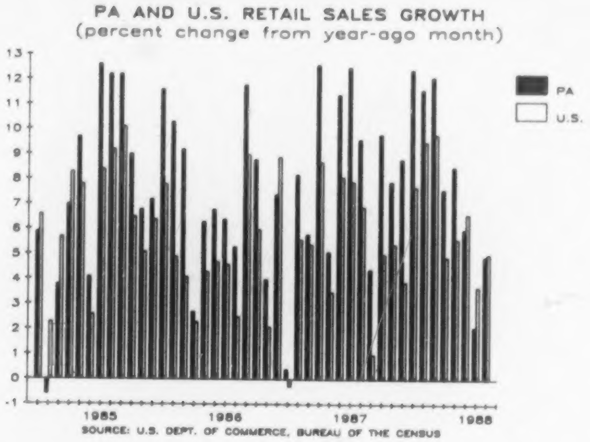
rose 0.9 percentage point to a seasonally adjusted 5.4 percent.

Although current expectations are for some slowing in growth throughout the nation, and hence, in Pennsylvania, it is unlikely that such a slowdown will bring with it an end to the current recovery within the short-term. Indeed, the index of leading indicators for the Pennsylvania economy continues to drift slightly upward which suggests that growth should continue, though at a less-than-robust pace.

Many feel that a recession is likely late next year or in 1990. It is sometimes pointed out that since Pennsylvania's economy is more "diversified" (i.e., is less dependent upon those industries, especially in durable goods manufacturing, likely to suffer the most in downturns) than in the past, the Commonwealth will be better able to "weather the storm" during the next slump. The fact that Pennsylvania's economy is more diversified is almost beyond debate which should, indeed, help the State when a recession does occur. At the same time, diversity can also be measured against the U.S. In examining the situation from this angle, the Commonwealth still remains more dependent upon the cyclical goods-producing industries than the nation as a whole. As a result, should the next recession be a severe one similar to the most recent slump in the early 1980s, Pennsylvania may again suffer disproportionately.

— *William D. Anderson*

PA AND U.S. RETAIL SALES GROWTH
(percent change from year-ago month)



SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS

Around the State

Northeastern Quarter

Allentown-Bethlehem

In a quarter in which the overall economy essentially held its own with few signs of appreciable acceleration or deceleration, construction activity continued to advance in the four-county Allentown-Bethlehem metropolitan region during the July-September period. Building activity, as measured by the value of construction contracts, was up one-fifth on the residential side and two-thirds with respect to nonresidential projects. On a related note, the number of households grew at a rate considerably higher than the Statewide average during the first half of the decade in Lehigh and Northampton Counties. This may be attributable to the inflow of residents from the east. In Carbon County, the westernmost in the metro area, household formations grew at a pace slightly less than the average for all of Pennsylvania.

A quick glance at the labor force data suggests to many that the region is currently operating at "full-employment." While this may be true, at least numerically, consideration must also be given to whether or not the full complement of skills currently possessed by the labor force is being fully used. Although no definitive conclusions can be drawn in the absence of a rather lengthy and detailed study, the possibility of "under-employment," where the skills of the labor force are not being fully utilized, certainly exists in light of the massive restructuring which has occurred in the region's economy.

Nonetheless, the jobless rate remained in the 4 percent range (seasonally adjusted) over the July-September period for the third consecutive quarter. Specifically, the rate stood at 4.4 percent, nearly unchanged from second quarter's 4.3 percent reading. At the same time, employment remained at a record high in settling at 314,800. Employment has remained at or near record readings for approximately three years. There are, however, some signs of a slowdown in

Allentown-Bethlehem Area[1]

	Ave. mo. value 3 Q.'88	Average monthly index seas. adj. (1977 = 100) 3 Q.'88	2 Q.'88	3 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	314.8	113	112	111
Unemployed, no. of residents	13.7	69	67	78
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	328.5	110	109	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	277.4	108	108	106
Nonmfg. only, no. of jobs	200.7	135	135	131
Mfg. only, no. of jobs	76.4	71	71	71
Hrs. worked by production workers in mfg., *ave. weekly*	40.1	104	105	104
Industrial electric power sales				
Metropolitan area	•••	114	111	111
Allentown	•••	100	97	102
Bethlehem	•••	122	120	117
Easton	•••	117	116	111
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	316.8	+19		
Nonresidential contracts only	181.8	+69		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

employment growth. Compared to the third quarter of 1987, employment has advanced 1.7 percent in the region. This follows gains of 3.0 and 2.1 percent in the first and second quarters, respectively. This is fairly consistent with the slowing pace of growth for the nation's economy as a whole.

Not surprisingly, the region's nonmanufacturers continue to supply the bulk of all new jobs. The third quarter brought with it 5,000 more jobs in these industries relative to a year ago, although there was a slight deterioration from the second quarter. All told, these establishments maintained 200,700 jobs during the three-month period. The big-gainers continue to be the services industries, with 3,200 new jobs over the year ending with the third quarter, and retail trade, with 1,100 new jobs.

In terms of jobs, manufacturing continues to add little, if any, to overall growth. Job levels have remained fairly stable in the 76,000-77,000 range for several quarters and it is doubtful that they will rise by a significant amount anytime soon. Four industries have accounted for the bulk of all factory job losses over the past several years in Pennsylvania: metals (especially primary), nonelectrical machinery, electrical equipment, and apparel. As of 1979, which is often thought of as the peak year for manufacturing, these industries accounted for one-fourth of all nonfarm jobs in the region. Statewide, they accounted for only 15 percent. Hence, it may be accurate to say that the structure of the region's manufacturing sector, with its heavy reliance, at least historically, upon slow-growth industries, may account for the region's sub-par performance earlier in the decade.

Scranton-Wilkes-Barre

The Scranton-Wilkes-Barre metropolitan area turned in a fairly impressive showing on the economic front during this year's third quarter. As a result, it appears as if 1988 will be one of the strongest years of the recovery. For example, nonagricultural job growth between 1983 and 1987 averaged 2.3 percent annually. So far this year, jobs have grown at a 2.6 percent clip.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 3 Q.'88	Average monthly index seas. adj. (1977 = 100) 3 Q.'88	2 Q.'88	3 Q.'87
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	342.1	118	116	114
Lackawanna County[2]	105.1	114	112	110
Luzerne County[3]	152.1	112	111	108
Unemployed, no. of residents				
Metropolitan area	21.1	69	66	75
Rate, seasonally adjusted	6.1			
Lackawanna County[2]	5.9	60	55	67
Luzerne County[3]	11.2	71	72	79
Civilian labor force, no. of residents				
Metropolitan area	363.2	113	111	110
Lackawanna County[2]	111.0	108	107	106
Luzerne County[3]	163.4	108	107	105
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	298.4	114	113	111
Nonmfg. only, no. of jobs	227.4	127	126	122
Mfg. only, no. of jobs	70.9	85	85	86
Hrs. worked by production workers in mfg., *ave. weekly*	39.3	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	•••	113	112	113
Lackawanna County[2]	•••	128	127	126
Luzerne County[3]	•••	95	96	100
Hazleton	•••	86	85	94
Wilkes-Barre	•••	102	100	103
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	253.4	+31		
Nonresidential contracts only	125.1	−3		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

Despite this rather rosey summary, the region is far from problem-free. As past issues of the *PBS* have pointed out, some rather large differences in performance are apparent among the region's five counties. Furthermore, although the factory job losses which rocked the region appear to be over, job levels have stabilized at an all-time low at just above 70,000. As recently as a decade ago, job levels hovered in the 85,000 range. A large portion of the decline in manufacturing jobs has been concentrated in the apparel industry which has lost about 10,000 jobs over the past decade. Indeed, the region's reliance upon this "slow-growth" or "declining" industry has prevented the metro area from turning in a stronger performance in recent years. While the share of total jobs accounted for by this industry has declined from 8.3 percent in 1979 to 4.8 percent in 1987, these job shares remain close to three times greater than the corresponding figures for the State as a whole.

Much more encouraging news is found in the nonmanufacturing sector where the 227,400 jobs maintained in the third quarter translates into a record high. So far this year, job levels in these establishments are up by 8,200 from the first nine months of 1987. As has been the case in recent years, the service-producing industries have provided the bulk (7,500) of these new jobs. The remainder is accounted for by the construction industry. The value of contracts awarded also suggests some improvement has been recorded this year as residential contracts are up one-third in value to offset a slight decline on the nonresidential side.

Much is made of the tradeoff between the expanding service sector and the stable or slightly declining manufacturing sector with respect to wages. For the metropolitan area as a whole in 1987, average annual wages in the service industries came to approximately two-thirds of the average annual wage in manufacturing.

Despite a slight rise in third quarter's jobless rate to a seasonally adjusted 6.1 percent, the overall employment picture remains encouraging. While the unemployment rate ticked up, employment was actually rising as it stood at another record in the third quarter, 342,100. Hence, the uptick in joblessness in the third quarter is attributable to a fairly large gain in the labor force which may be interpreted rather positively.

Williamsport

Lycoming County followed up what may have been a rather uneventful second quarter with another solid showing during the July-September period. As a result, the region's economy remains on an upward path with future gains likely. Hence, it is best not to put too much weight behind the 0.6 percentage point rise in the jobless rate to a seasonally adjusted 5.3 percent in the third quarter. The increase may be traced to a large advance in the labor force as employment actually rose over second quarter readings. Specifically, 60,000 residents were counted as employed which represents a new record. During the first nine months of this year, employment is up by 3,900 from the first three quarters of 1987. This gain, however, has failed to reduce the number of unemployed as there has been an equal number of new entrants into the labor force, a trend which is typically the sign of a strong economy. While additional improvement is likely in the future, signals are emerging which suggest that growth is slacking off a bit. For instance, employment growth from the third quarter of 1987 came to 4.7 percent during the July-September period. This comes on the heels of annual advances totaling 10.9 percent in the first quarter and 6.5 percent in the second. Still, a 4.7 percent annual rate of growth is far from sluggish.

This year is proving to be one of the strongest of the recovery based upon trends in nonfarm job growth. Through September, jobs have grown at a 6.5 percent clip, almost double the average from the previous four years. Not surprisingly, the majority of these gains have originated in the nonmanufacturing sector where job levels, at 36,700 in the third quarter, stand at a record high. As a result of nonmanufacturing's above-average gains in recent years, its share of all nonagricultural jobs currently stands at 68 percent, up from 62 percent in 1979. Within nonmanufacturing, construction appears to be turning in a strong performance this year as reflected in increases in the value of contracts awarded.

Perhaps the lone piece of bad news in the third quarter is found in the factory sector. Although job levels actually held steady at 16,700, they typically rise by about 300 for the quarter. Hence, the number of jobs declined after adjusting for seasonality for the second consecutive quarter. Still, these industries have performed much better than in the State as a whole over the past few years in Lycoming County with respect to the overall job picture. Furthermore, other indicators of the factory sector's health such as the average workweek and industrial power sales, remain at relatively high levels.

Williamsport Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'88	*3 Q.'88*	*2 Q.'88*	*3 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	60.0	124	123	119
Unemployed, no. of residents	2.9	72	62	72
Rate, seasonally adjusted	5.3			
Civilian labor force, no. of residents	62.8	120	117	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.4	116	115	110
Nonmfg. only, no. of jobs	36.7	130	128	121
Mfg. only, no. of jobs	16.7	92	94	92
Hrs. worked by production workers in mfg., *ave. weekly*	41.6	107	106	106
Industrial electric power sales	***	101	92	85
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	20.2	+23		
Nonresidential contracts only	16.8	+71		

[1] Lycoming County

Southwestern Quarter

Altoona

The economy of Blair County appears to be growing at a fair pace so far this year based upon data through the third quarter. Such a performance, however, leaves considerable room for improvement. Indeed, while total nonfarm jobs have grown 2.4 percent in the region so far this year, the average gain in the previous four years was 2.6 percent. The nonmanufacturing sector, just as it has been for the past several years, continues to lead the way. At 41,600 in the third quarter, the number of jobs in these industries stood at another record high. While the construction industry is not adding much in terms of jobs, the strength of building activity is apparent in other indicators. Contract values for nonresidential projects through the first nine months of the year are more than three times greater than in the corresponding period in 1987. A solid 70 percent gain was turned in on the residential side.

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'88	*3 Q.'88*	*2 Q.'88*	*3 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	57.9	107	106	105
Unemployed, no. of residents	3.9	109	105	110
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	61.8	107	106	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.0	101	102	100
Nonmfg. only, no. of jobs	41.6	107	107	105
Mfg. only, no. of jobs	11.4	84	86	86
Hrs. worked by production workers in mfg., *ave. weekly*	40.6	108	106	104
Industrial electric power sales	***	77	78	78
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	20.2	+ 70		
Nonresidential contracts only	39.7	+205		

[1] Blair County

Furthermore, the number of new housing units authorized by permit during the first half of the year in Blair County rose by more than one-fourth from year-ago readings.

The story is quite different however, at least on the job front, in the factory sector. After adjusting for seasonality, there was actually a drop in jobs during the third quarter. Manufacturing jobs have held fairly steady over the past few years at slightly above 11,000 despite third quarter's seasonally adjusted decline. It is quite doubtful that any significant improvement will be recorded in the near-term. At the same time, job levels are unlikely to decline by a considerable amount. Hence, the region appears to be in store for a holding pattern with respect to factory-related jobs. Research by the Center for Regional Business Analysis has shown that a simple focus on job levels as a gauge of manufacturing's health is misleading, at least for the State as a whole. While no data is available for metro areas, it may be that manufacturing output in Blair County, perhaps because of increases in productivity, may be on the rise despite the long-term downward trend in jobs.

Given that there are few signs of boom or bust in the region, it is not surprising that the overall picture with respect to employment and unemployment has remained relatively stable. Indeed, the unemployment rate, at a seasonally adjusted 7 percent, was unchanged during the July-September period from second quarter averages. There has been a similar lack of movement on the employment front, although there was a slight seasonally adjusted increase in the number of residents counted as employed in the third quarter. Other signs of a slowdown in employment growth are evident in year-ago comparisons. After first quarter employment came in 2,500 above year-ago readings, second and third quarters brought gains of 1,400 and 800, respectively.

Johnstown

The economy of the bi-county Johnstown metropolitan area appears to have reached a plateau over the course of the past several months as several signals are suggesting that growth may have peaked earlier in the year. On the positive side, this plateau appears to be allowing for a high level of economic activity relative to the earlier years in the current economic recovery. On the negative side, there is still considerable room for improvement, both relative to pre-1980 conditions and compared to conditions elsewhere within the Commonwealth.

Employment and unemployment conditions appear to be stable despite the fact that the jobless rate jumped 0.6 percentage point to 7.7 percent after seasonal adjustment during the July-September period. After adjusting for seasonality, the 90,100 residents counted as employed in the third quarter is essentially unchanged from the previous quarter. Still, year-over-year gains are apparent on the employment front, though these increases are becoming less pronounced. There does appear to be some difference in employment trends over the past several years between the two counties which make up the region. Over the 1979-1987 period, employment declined by nearly 14 percent in Cambria County compared to a somewhat smaller 8 percent decline in Somerset County.

Johnstown Area[1]

	Ave. mo. value 3 Q.'88	Average monthly index seas. adj. (1977 = 100) 3 Q.'88	2 Q.'88	3 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	90.1	91	91	90
Unemployed, no. of residents	6.6	69	62	74
Rate, seasonally adjusted	7.7			
Civilian labor force, no. of residents	96.7	89	88	88
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	79.9	90	90	89
Nonmfg. only, no. of jobs	66.8	99	99	98
Mfg. only, no. of jobs	13.2	62	63	62
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	100	102	100
Industrial electric power sales	***	195	191	164
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	41.2	+30		
Nonresidential contracts only	34.8	+22		

[1] Cambria and Somerset Counties

Similar discrepancies are apparent when job trends with respect to workers covered by unemployment compensation laws are analyzed. Between 1979 and 1987, covered employment in Cambria County fell by close to 18 percent. Within Somerset County, there was only a minimal decline over the same period. It does appear that Somerset County has fared somewhat better on the economic front than Cambria County over the course of the turbulent 1980s. Hence, the fact that the number of households in Cambria County actually declined during the first half of the decade while Somerset County realized a (below-average) gain is not surprising since this indicator moves positively with the health of the economy.

Activity within the construction sector is playing a major role in boosting overall nonmanufacturing activity. While job levels are holding relatively steady, awards for both residential and nonresidential construction are up considerably over year-ago readings. Much the same is true with respect to the number of new housing units authorized by permit which was running at a pace more than double that for 1987 during this year's first half. For nonmanufacturing as a whole, job levels currently stand at 66,800, the highest third quarter reading since 1979 and up by 1,000 over the year-ago period. The situation is a bit different on the manufacturing side where job levels have stabilized at around 13,000, only slightly higher than all-time lows set earlier in the decade. However, a relatively high average factory workweek (though down slightly from the second quarter) and a solid showing with respect to industrial power sales, suggests that a good deal of spark may still be left within the region's manufacturers.

Pittsburgh-Beaver Valley

It appears that 1988 will go down as being perhaps the strongest year of the current economic recovery in the five-county Pittsburgh-Beaver Valley metro area. In the Pittsburgh portion of the overall region, nonfarm jobs have grown 1.7 percent this year, up from a 0.5 percent average gain in the previous four years. Likewise, this year's increase in Beaver County, 1 percent, represents substantial improvement over the average decline of 2.3 percent from the 1983-1987 period. At the same time, however, the region has consistently been outperformed by the State as a whole over the current recov-

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'88	*3 Q.'88*	*2 Q.'88*	*3 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	922.3	104	103	101
Beaver County	59.1	65	67	66
Unemployed, no. of residents				
Pittsburgh[1]	52.8	82	85	97
Beaver County	5.3	82	88	97
Unemployment Rate, seas. adj.				
Pittsburgh[1]	5.6			
Beaver County	8.6			
Civilian labor force, no. of residents				
Pittsburgh[1]	975.1	102	102	101
Beaver County	64.4	69	68	68
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	868.7	99	99	98
Beaver County	52.0	68	67	66
Nonmfg. only, no. of jobs				
Pittsburgh[1]	742.6	113	114	112
Beaver County	42.5	112	110	107
Mfg. only, no. of jobs				
Pittsburgh[1]	125.7	57	56	56
Beaver County	9.5	24	25	25
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	42.1	n.a.	n.a.	n.a.
Beaver County	41.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	67	60	65

Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only		
Pittsburgh[1]	431.1	+ 27
Beaver County	17.5	+ 68
Nonresidential contracts only		
Pittsburgh[1]	444.7	0
Beaver County	14.8	+185

[1] Allegheny, Fayette, Washington and Westmoreland Counties
[2] Beaver County

ery period. Average nonagricultural job growth in Pennsylvania averaged 2.1 percent per year over the 1983-1987 period and has come in at 2.6 percent so far this year.

The region's economy, at least with respect to jobs, continues to shift from one with a relatively large factory sector to one increasingly dominated by service-type activities. Within the Pittsburgh region, manufacturing's share of total jobs has declined from 25 percent in 1979 to 14 percent in 1987. Within Beaver County, factories accounted for one-fifth of all jobs last year compared to a share of nearly one-half in 1979.

Manufacturing, however, has recently shown signs of a minimal turnaround. Through the first nine months of 1988, factory jobs are up by 2,100 from the same period in 1987 in the Pittsburgh portion of the area. Although this is only slightly above record low readings, 1988 will, in all likelihood, be the first year since 1979 that a year-over-year gain in factory jobs will be realized. While even these minimal increases appear to be absent in Beaver County, it is safe to say that the bulk of all job losses appear to have already occurred.

As has been the case for several years, the news is considerably brighter on the nonmanufacturing side. In both the Pittsburgh and Beaver County portions of the metro area, jobs in these establishments have hovered at or near record highs for the past several quarters. The service industries have been providing the bulk of all new jobs. Of the 1,000 new nonmanufacturing positions generated so far in 1988 in Beaver County, 600 have come in service establishments. Likewise, of the 12,600 new nonmanufacturing jobs in the four-county Pittsburgh region, 11,900 are accounted for by service industries. Despite gains with respect to contract awards, construction activity may be slowing in the region. Jobs are down slightly this year and the number of housing units authorized by permit was off 10.5 percent on an annual basis during the first half of the year.

There does appear to be a negative side to the tradeoff between factory and service jobs with respect to wages. In 1987, average annual wages in the services industries ranged anywhere from 62 percent of manufacturing wages in Beaver County to 71 percent in Fayette County. This hides the fact, however, that there are some relatively high-paying jobs in the service industries.

While it is a fairly easy task to pinpoint weak spots, the fact that the good news in recent months has outweighed the bad is evident in recent trends in employment and unemployment. At a seasonally adjusted 5.6 percent, the Pittsburgh region's third quarter jobless rate was at its lowest level since before record-keeping began in 1975. Beaver County's unemployment rate of 8.6 percent (seasonally adjusted) in the July-September period was the lowest in seven years. While employment has risen continuously over the course of the recovery in the Pittsburgh metro area, including a gain of 21,500 this year, long-run growth trails that for the State as a whole. In Beaver County, employment is also up over year-ago readings, by 1,100, but that barely puts a dent in the losses racked up over the past several years. Clearly, solid strides have been made, but much more remains to be done.

State College

While there are some signals emerging which suggest that economic growth in Centre County may be slowing a bit, it is quite doubtful that the region is in store for a significant drop in overall activity. More and more evidence suggests that the surge in construction activity is over, especially on the residential side. Through the first half of this year, the number of units authorized by housing permit was off one-third from year-ago readings. However, job levels are up slightly and total contract awards exceed estimates from last year. Hence, if anything, the building sector appears to be in store for a "soft landing." Elsewhere in nonmanufacturing, the service-producing industries continue to fuel overall job growth. Despite a fairly stable third quarter, nonmanufacturing employment will surely set another record in 1988. So far this year, service jobs are up by 500 from the first nine months of 1987 and trade jobs are up by 200 to lead the way. Manufacturing appears to be more than holding its own in the region as job levels have, on average, been 300 higher than a year ago so far in 1988, despite a slight seasonally adjusted decline between the second and third quarters. Even over the longer-term, these industries appear to have fared quite well relative to other regions in the State.

While many debate the wage-tradeoff between the goods- and service-producing industries, the State College metro area appears to be concentrated in relatively high-paying service industries. For instance, average annual wages in service in-

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'88	*3 Q.'88*	*2 Q.'88*	*3 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	59.3	140	138	136
Unemployed, no. of residents	3.1	122	115	124
Rate, seasonally adjusted	5.4			
Civilian labor force, no. of residents	62.4	139	136	135
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.8	134	134	130
Nonmfg. only, no. of jobs	46.2	137	137	134
Mfg. only, no. of jobs	7.6	119	119	114
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	130	124	120
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	53.9	+17		
Nonresidential contracts only	44.2	+87		

[1] Centre County

dustries for Pennsylvania as a whole amount to about 74 percent of manufacturing wages. In Centre County, the corresponding figure is 90 percent partly because of a slightly larger concentration than the State as a whole in the well-paying business services.

At 59,300, third quarter resident employment in the State College metro area was up by 2,000 from the same period in 1987. This follows gains of 2,900 and 2,100 in the first and second quarters, respectively. Despite this apparent slowdown, third quarter's performance was strong enough to bring about the lowest unemployment rate for the July-September period in 14 years, 5 percent (not seasonally adjusted). However, the fact that the seasonally adjusted rate rose from second quarter readings provides further evidence of an overall slowing of economic growth. Again, though, few signs suggest that Centre County will slump appreciably in the near-term.

Northwestern Quarter

Erie

Broad indicators of economic activity suggest that conditions within Erie County have been fairly encouraging through the first three quarters of 1988. After a relatively sluggish second quarter, the employment gains recorded during the typically robust summer months were stronger than normal as a new record of 124,000 residents were counted as employed. So far in 1988, employment is up by 3,200. This has absorbed a net inflow into the labor force totaling 2,000 and has paved the way for a reduction of 1,200 in the number of unemployed. As a result, third quarter's seasonally adjusted unemployment rate of 6 percent represents the lowest reading in nearly 14 years.

Still, problems do remain, most notably in the goods-producing sector. Construction activity appears to be slowing as the value of contract awards is off from year-earlier totals. Moreover, the number of new housing units authorized by permit during the first half of the year was off by one-fourth from the same period in 1987. At the same time, however, construction jobs are up slightly on a year-to-date basis. Job levels within the region's factories are essentially holding steady at slightly above 34,000. While such a holding pattern is welcome news following a string of job losses, it still leaves job readings only slightly above record lows. However, not all of the news is bad within the factory sector as industrial power sales and the average workweek remain at fairly high levels, suggesting that production activity may be holding its own.

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'88	*3 Q.'88*	*2 Q.'88*	*3 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	124.0	109	107	106
Unemployed, no. of residents	7.4	85	83	99
Rate, seasonally adjusted	6.0			
Civilian labor force, no. of residents	131.4	107	105	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	113.3	102	102	100
Nonmfg. only, no. of jobs	78.5	116	115	112
Mfg. only, no. of jobs	34.8	81	81	81
Hrs. worked by production workers in mfg., *ave. weekly*	42.8	104	104	102
Industrial electric power sales	***	115	117	111
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	45.2	−24		
Nonresidential contracts only	41.7	− 3		

[1] Erie County

Elsewhere, especially in the service-producing industries, the situation is much more positive as job levels continue to advance. For nonmanufacturing as a whole, the 78,500 establishment jobs in the third quarter translate into a record high. This represents the sixth time in the past seven quarters that a new record has been set. The metro area's two largest industries, services and retail trade, continue to lead the way. The massive restructuring which has taken place in the region's economy is apparent in that the service-producing sector now accounts for approximately 65 percent of all jobs compared to 59 percent in 1979. At the same time, manufacturing's share has declined from 38 percent to 31 percent.

The positive trends associated with these industries along with a stable picture with respect to the region's factories have resulted in a solid showing for total nonfarm jobs so far in 1988. Indeed, the 2 percent gain in nonagricultural jobs recorded so far this year in Erie County, although still less than the State's 2.6 percent gain, represents a fair amount of improvement over the 1.5 percent average annual gain turned in over the 1983-1987 period.

Sharon

After trailing Statewide trends for several years, the Mercer County economy is turning in a performance so far in 1988 which ranks it near the top of the list relative to the State's 14 other metropolitan areas. For instance, only Lycoming County has realized a stronger rate of growth in nonfarm jobs this year than the Sharon area's 6.4 percent. Furthermore, this represents drastic improvement over the 0.6 percent annual gain averaged over the 1983-1987 period. Both the factory and nonmanufacturing sectors have played a role in this year's resurgence. Within manufacturing, the number of jobs maintained, at 10,800, was up 1,000 during the third quarter

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'88	*3 Q '88*	*2 Q.'88*	*3 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	49.7	101	100	95
Unemployed, no. of residents	2.6	69	60	80
Rate, seasonally adjusted	5.3			
Civilian labor force, no. of residents	52.3	98	97	94
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	43.2	96	95	90
Nonmfg. only, no. of jobs	32.3	112	111	106
Mfg. only, no. of jobs	10.8	66	65	59
Hrs. worked by production workers in mfg., *ave. weekly*	42.3	n.a.	n.a.	n.a.
Industrial electric power sales	***	117	114	110
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	13.5	+ 108		
Nonresidential contracts only	9.2	− 39		

[1] Mercer County

from the same period in 1987. Even after adjusting for seasonality, job levels are at their highest since 1984. Durable goods industries have accounted for essentially all of the region's new factory jobs this year. These gains fit nicely with similar improvement recorded in the nonmanufacturing sector which has maintained a record number of positions for nearly one year if seasonal trends are discounted. All told, there were 32,300 jobs in these industries during this year's third quarter. Construction has played a role as 100 jobs have been created so far this year. Gains in activity appear to be especially impressive on the residential side as contract values are more than double their 1987 levels and new housing units authorized by permit rose 16 percent during the first half of the year.

This solid showing has resulted in rather substantial improvement on the employment/unemployment front. Third quarter's seasonally adjusted 5.3 percent unemployment rate suggests that, despite a slight rise from the second quarter, this measure of the economy's health has been at its lowest level since the early 1970s so far this year. Furthermore, joblessness has been reduced this year despite the fact that the labor force has increased considerably. The end result was an employment level of 49,700, the highest third quarter estimate since 1981.

While nearly all of the news so far this year has been good in Mercer County, these gains need to be analyzed in their proper perspective. Most indicators suggest that the region is still struggling to regain all of the ground lost in previous years. For instance, the gains recorded in manufacturing jobs in recent months still leave factory positions down by about one-third from the late 1970s and it is quite doubtful that all of these jobs will ever be replaced. Trends in household formations, which move positively with economic growth, also suggest that the economy of the Sharon metropolitan area has performed sluggishly over much of the 1980s. Through the first half of the decade, the number of households grew 3.6 percent in Pennsylvania. In Mercer County, the number of households in 1985 was essentially unchanged from 1980 levels. In a nutshell, while the short-term gains racked up by the region of late are certainly welcome, there is still ample room for improvement.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Growth balanced across both the goods- and service-producing sectors has continued throughout the first nine months of 1988 and while growth may slow somewhat along with the national economy, the prospects for continued gains are encouraging in the Harrisburg-Lebanon-Carlisle metro area. Each of the four counties within the metro area has turned in a solid performance. For instance, resident employment growth in Pennsylvania came in at 6.8 percent over the 1979-1987 period. Within the metro area, growth came in at 12.2 percent in Dauphin County, 13.9 percent in Lebanon County, 17.7 percent in Cumberland County, and 21.3 percent in Perry County.

Third quarter data does suggest that some of the other regions within the southeastern quarter of the Commonwealth are equaling and improving upon the area's relatively low jobless rate. As of 1987, only Lancaster County had an unemployment rate lower than Harrisburg-Lebanon-Carlisle's. During this year's third quarter, the Philadelphia and Reading metro regions also maintained lower jobless rates than the four-county region's 4.2 percent (seasonally adjusted) and the York area matched it. Still, the region is turning in a very impressive performance on the employment/unemployment front. Through 1988's first nine months, employment is up 3.3 percent. If such a trend is carried on into the fourth quarter, 1988 will represent the third best year within the past decade with respect to employment growth.

Although there was a slight drop in nonmanufacturing jobs in the third quarter, these industries have continued to provide the bulk of all new jobs this year. At 249,100, jobs in these establishments were at their highest third quarter reading on record. Trends in the service-producing industries have been especially impressive. Nearly 6,900 jobs have been generated in the nonmanufacturing sector in 1988. More than 6,100 of these may be traced to service-producing establishments.

Construction accounts for the remainder of these new jobs. Other indicators of building trends suggest that activity is up, especially on the residential side. Contract values for residen-

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'88	*3 Q.'88*	*2 Q.'88*	*3 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	315.6	122	121	120
Unemployed, no. of residents	12.9	88	75	88
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	328.6	120	118	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	302.4	122	122	120
Nonmfg. only, no. of jobs	249.1	129	129	126
Mfg. only, no. of jobs	53.2	97	96	96
Hrs. worked by production workers in mfg., *ave. weekly*	39.9	n.a.	n.a.	n.a.
Industrial electric power sales	***	90	94	86
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	184.2	+ 15		
Nonresidential contracts only	177.6	− 34		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

tial projects are up 15 percent so far this year while nonresidential values are off by one-third. The number of new housing units authorized by permit was up 9 percent through the first half of 1988.

Conditions in the region's factories continue to show signs of stability. Jobs have actually increased so far this year, but growth does appear to be slowing. In the first quarter, jobs were up 1,800 on an annual basis. In the second quarter, the gain totaled 700. Most recently, third quarter's 53,200 factory jobs represent a gain of 300 from last year. The region is less concentrated in those manufacturing industries which have suffered the most over the course of the 1980s (metals, electronic equipment, machinery, and apparel products) than the State as a whole. In 1987, these industries accounted for 9.4 percent of all nonfarm jobs in the State. Within the Harrisburg-Lebanon-Carlisle region, they accounted for just 7.7 percent.

Lancaster

Though there are a few signs that overall economic growth is slowing, conditions remain positive in Lancaster County. For instance, at a seasonally adjusted 3.5 percent, the region continued to maintain the lowest jobless rate among the Commonwealth's 15 metropolitan areas in the third quarter. Furthermore, the number of residents counted as unemployed so far this year is the lowest total since 1974. So far this year, employment is up by 8,500 from the first nine months of 1987. This has helped reduce the number of unemployed by 200 residents as well as absorb an increase in the labor force totaling 8,300. The gain in employment this year, at 4.2 percent, is quite impressive compared to the 3 percent gain turned in by Pennsylvania as a whole.

The nonmanufacturing sector continues to be the main source of these new positions as a new record was again set in the third quarter with the 126,000-mark being reached for the first time. Retail and wholesale trade industries have accounted for 2,200 new jobs this year while another 2,400 positions have been added to payrolls in the services industries. Elsewhere in the nonmanufacturing sector, the growth in construction activity may be slowing despite increases in the value of both residential and nonresidential contract awards. Through the first six months of the year, 6.2 percent fewer housing units were authorized by permit than in the first half of 1987.

Lancaster Area[1]

	Ave. mo. value 3 Q.'88	Average monthly index seas. adj. (1977 = 100) 3 Q.'88	2 Q.'88	3 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	216.7	134	133	130
Unemployed, no. of residents	7.5	91	87	98
Rate, seasonally adjusted	3.5			
Civilian labor force, no. of residents	224.2	132	131	129
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	185.9	131	130	127
Nonmfg. only, no. of jobs	126.0	148	148	141
Mfg. only, no. of jobs	59.9	105	105	106
Hrs. worked by production workers in mfg., *ave. weekly*	40.6	102	102	101
Industrial electric power sales	***	142	140	140
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	206.7	+24		
Nonresidential contracts only	74.4	+43		

[1] Lancaster County

While job trends in the service-producing industries remain fairly impressive, factory-related jobs continue to hold their own at their highest levels since 1980. Since the onset of the economic recovery in 1982 and 1983, manufacturing jobs in Lancaster County have grown 7.4 percent. Statewide, a 7.3 percent decline has been recorded. Other encouraging signals are found in the relatively high average manufacturing workweek and steady gains in electricity sales to industry.

All in all, Lancaster County has been one of the top performers in the Commonwealth over the course of the past several years with respect to economic growth. That trend is reflected in the growth in the number of households in the region. Between 1980 and 1985, the number of households in Pennsylvania increased 3.6 percent. In Lancaster County, with its strong economy, a 10.8 percent advance was realized.

Philadelphia

Conditions were quite impressive on just about all economic fronts during the third quarter in the eight counties making up the Philadelphia metropolitan area. Perhaps the lone weak spot, as in several other regions of the Commonwealth, can be found in construction. While a 7 percent gain in the value of residential contract authorizations has been recorded so far this year, it is questionable as to whether or not that translates into any "real" increases in actual volume terms. In fact, data through the first half of the year suggests that new housing units authorized by permit, a fairly good indicator of starts, fell 4.5 percent from a year ago. On the nonresidential side, a 17 percent decline in nonresidential contract authorizations has been turned in so far in 1988.

That, however, is about the extent of the "bad" news, especially with respect to the nonmanufacturing sector. All told, job levels in these industries continue to advance, and set another record at 1.82 million in the third quarter. As elsewhere, the service-producing industries are carrying the

Philadelphia Area[1]

	Ave. mo. value 3 Q.'88	Average monthly index seas. adj. (1977 = 100) 3 Q.'88	2 Q.'88	3 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	2,358.8	124	122	121
Unemployed, no. of residents	102.0	56	55	59
Rate, seasonally adjusted	4.0			
Civilian labor force, no. of residents	2,460.8	118	116	116
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,186.7	120	119	118
Nonmfg. only, no. of jobs	1,816.0	132	131	129
Mfg. only, no. of jobs	371.3	83	83	84
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	102	102	102
Industrial electric power sales	***	113	109	107
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	1,556.5	+ 7		
Nonresidential contracts only	1,341.8	−17		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

bulk of the load. These industries account for about 78 percent of all nonfarm jobs in the region. So far this year, they have accounted for about 81 percent of all new jobs. Leading the way has been the service industry with 22,400 new positions. Also making a significant contribution has been retail trade with 9,600 new jobs.

The situation in the region's factories is not nearly as good, but some improvement has been recorded relative to the past few years. Manufacturing jobs have held pretty steady since the beginning of 1987 after declining for about two years. Unfortunately, at just above 370,000, factory jobs have stabilized at record low readings. Both durable and nondurable goods industries have been in this "holding pattern" in recent months. However, job trends may be only telling part of the story. Both the average workweek and industrial power sales are quite high in historical terms, suggesting that production activity may be rising despite the flat trend in jobs.

Despite the fact that overall nonagricultural job trends have been fairly impressive, some slowing in growth does appear to have occurred through the first nine months of the year. Specifically, while nonfarm job growth averaged 2.8 percent on an annual basis over the 1983-1987 period in the Philadelphia region, a 2.2 percent advance has been turned in so far this year.

In the most recent "Around the State" section of the *PBS*, it was suggested that each of the Pennsylvania counties within the region had turned in strong performances in recent years with respect to resident employment growth. However, information on just those workers covered by unemployment compensation laws suggests that all of the job gains have been outside of Philadelphia County. For instance, in Bucks (a 27 percent job gain), Chester (25 percent), Delaware (17 percent), and Montgomery (24 percent) Counties, the gain in "covered" employment over the 1979-1987 period was stronger than in the State as a whole. However, in Philadelphia County, a decline of 3.8 percent was recorded.

Since the good news of late has far outweighed the bad, the employment/unemployment picture continues to improve in the metro region. The region's 4 percent unemployment rate (seasonally adjusted) in the third quarter is the second lowest among the State's 15 metro areas. Relative to the third quarter of 1987, employment was up by 42,100 in the July-September period as it rose to another record high in settling at 2.36 million.

Reading

The first nine months of 1988 appear to have been quite strong in economic terms in Berks County as improvements were recorded on just about all fronts. As a result, employment and unemployment trends remain impressive as evidenced by the region's seasonally adjusted 4.1 percent jobless rate in the third quarter, the third lowest among the State's 15 major labor market areas and the lowest it has been since the early 1970s. Employment has remained at a record high since around 1986 after adjusting for normal seasonal ups and downs as it settled at 172,900 in the third quarter. So far this year, employment is up by 7,900 residents in the Reading metro area. This gain has been strong enough to absorb a fairly healthy net inflow into the labor force and reduce the number of unemployed by about 700.

Reading Area[1]

	Ave. mo. value 3 Q.'88	Average monthly index seas. adj. (1977 = 100) 3 Q.'88	2 Q.'88	3 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	172.9	126	123	120
Unemployed, no. of residents	7.0	82	80	91
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	179.9	123	121	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	153.5	117	116	112
Nonmfg. only, no. of jobs	104.3	130	129	123
Mfg. only, no. of jobs	49.1	97	97	94
Hrs. worked by production workers in mfg., *ave. weekly*	40.7	104	105	106
Industrial electric power sales	***	139	137	136
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	110.6	+ 46		
Nonresidential contracts only	69.3	+133		

[1] Berks County

The strong economy is also reflected in impressive construction trends. Nonresidential contract values were more than double their 1987 levels during the first three quarters of the year and residential awards were up by nearly 50 percent. Perhaps even more encouraging was the fact that the number of new housing units authorized by permit was up 17 percent during the first half of the year.

This year appears to be "above average" with respect to nonagricultural job growth. Between 1983 and 1987, nonfarm job growth averaged 2.1 percent each year. So far in 1988, job growth has come in at 4.2 percent. Both manufacturing and nonmanufacturing appear to be playing a role in recent job gains. On the factory side, 1,300 positions have been added through the first nine months of 1988 as job levels appear to have stabilized at around 49,000. Within manufacturing, gains have been fairly widespread. Of the 13 industry lines analyzed, 8 have realized job gains this year while 3 have held steady.

Third quarter brought with it another record number of nonmanufacturing jobs as a stronger-than-normal performance was turned in. It appears that gains in the private sector service-producing industries offset the typical summer decline in public sector (i.e., education-related) jobs. All told, there were more than 104,000 nonmanufacturing workers in Berks County during the July-September period for the second quarter in a row. Leading the way of late has been the service and trade industries with year-to-date job gains of 1,800 and 1,000, respectively.

York

Third quarter economic conditions in Adams and York Counties remained impressive as the region continues to move forward in a well-balanced fashion. Construction stands out as being an especially strong performer so far this year. Through the first nine months of 1988, contract awards for residential and nonresidential projects were well ahead of their 1987 values. Additionally, housing permit authorizations, a good measure of actual starts, rose by more than one-fourth on an annual basis during this year's first half. This represents the third largest gain among the State's 15 metro areas.

Not surprisingly, the overall strong economy has resulted

York Area[1]

	Ave. mo. value 3 Q.'88	Average monthly index seas. adj. (1977 = 100) 3 Q.'88	2 Q.'88	3 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	212.4	135	134	130
Unemployed, no. of residents	9.0	93	82	94
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	221.4	132	131	128
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	176.0	124	124	120
Nonmfg. only, no. of jobs	115.5	140	139	135
Mfg. only, no. of jobs	60.5	102	102	98
Hrs. worked by production workers in mfg., ave. weekly	42.5	104	104	104
Industrial electric power sales	***	128	122	119

Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	179.6	+56
Nonresidential contracts only	122.2	+20

[1] Adams and York Counties

in a solid showing on the employment/unemployment front. While Pennsylvania as a whole has watched employment grow 3 percent this year, York metro area employment has expanded by 4.8 percent as a new record is being set practically every quarter after seasonality is discounted. Both counties within the region appear to be turning in solid showings. Over the 1979-1987 period, employment in Adams County was up 12.9 percent. In York County, an 11.9 percent gain was realized. Statewide, a much smaller 6.8 percent increase was recorded.

The region has fared much better than the State as a whole with respect to factory job trends over the past several years. This is despite the fact that those industries which have accounted for the bulk of all manufacturing job losses in the Commonwealth (metals, machinery, electronic equipment, and apparel) account for a larger share of jobs in the York area than in Pennsylvania. All told, there were 60,500 manufacturing jobs maintained in the region during the third quarter, off slightly from the second quarter after seasonal trends are discounted for but up by 1,900 from a year ago. On the nonmanufacturing side, the job situation is even more encouraging. The 115,500 positions maintained in these establishments again represent a new record as the service-producing industries continue to show remarkable strength.

Clearly, overall trends have been impressive. As a result, theory suggests that demographic trends should be favorable. Indeed, with respect to the growth in the number of households, they are. For instance, while the number of households grew by 3.6 percent in all of Pennsylvania between 1980 and 1985, a gain of 7.9 percent was turned in by Adams County while York County managed a 6.9 percent advance.

— William D. Anderson

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TRENDS CONTINUE TO SUGGEST POSITIVE GROWTH

In the most recent issue of the *Pennsylvania Business Survey*, it was suggested that the Commonwealth was entering a period in which growth was likely to slow, but that the overall economy would continue to move forward. An overview of indicators for October does little to change this expected scenario as overall signals were mixed for the month. While nonagricultural job readings were especially encouraging, trends were a bit less positive with respect to resident employment and unemployment, some measures of factory activity, and construction.

Furthermore, **such a scenario is evident in the recent behavior of two widely-followed measures of overall trends: the indices of coincident and leading indicators for the Pennsylvania economy.** The coincident series has now declined two months in a row, although by only the smallest of margins. The leading index has been on an upward trend for the past several months, although again, except for a rather large increase in September, the advances have been relatively minor. Taken together, these two indices, which are perhaps best viewed as qualitative measures of current and expected trends as opposed to precise quantitative tracking mechanisms, suggest that growth is slowing, but that the future is unlikely to bring with it a pronounced slump.

It should be kept in mind, however, that such a scenario is for the economy *as a whole* and does not rule out month-to-month variations in overall trends and in specific indicators. For instance, October brought with it a decline of more than 100,000 in both the labor force and the number of residents counted as employed. In addition, the jobless rate inched upward by an insignificant 0.1 percentage point to a seasonally adjusted 5.5 percent. Employment and unemployment indicators, which typically represent the first bit of economic news each month, suggest a rather dramatic reversal in these trends as employment expanded by an impressive amount and joblessness dropped off considerably in November.

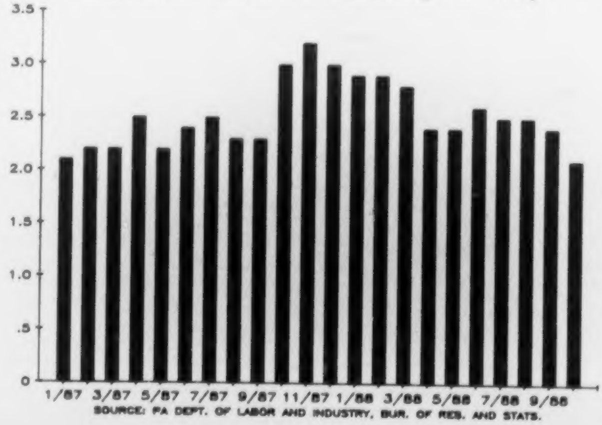
Resident employment growth has slowed considerably in recent months after growing at a fairly rapid pace early on in the year. (Such a trend was first illustrated graphically in the August issue of the *PBS*.) In fact, the 5.48 (unadjusted) Pennsylvanians counted as employed in October is actually off by about 10,000 from year-ago-readings. However, as the accompanying chart shows, **growth in nonfarm jobs, which many analysts contend is a more reliable indicator of employment and job trends than is the resident series, remains fairly impressive and relatively stable.** Since the beginning of 1987, nonagricultural job growth has remained in the 2-3 percent range every month but one, displaying little of the volatility present in the resident series.

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
February	112.1	86.2	−0.2	−0.2
March	111.6	85.7	−0.4	−0.6
April	112.8	85.9	1.1	0.2
May	111.9	85.2	−0.8	−0.8
June	112.1	85.5	0.2	0.3
July	112.1	85.7	0.0	0.3
August	112.6	85.9	0.4	0.2
September	113.6	85.8	0.9	−0.1
October	113.6	85.5	0.2	−0.3

Job totals in the State's manufacturing establishments rose after seasonal adjustment in October for the fourth time in the past six months. All told, the seasonally adjusted 1.05 million jobs represents the second highest total in more than two years. A review of recent job gains by industry presents somewhat of a mixed-bag of results, as shown in the accompanying table. Of the eighteen industries analyzed, 11 have realized increases in employment so far this year compared to the first ten months of 1987. The same number of industries realized job gains during the 1986-1987 period. The lumber and wood products industry has turned in the largest gain in percentage terms so far in 1988, 5.8 percent. This industry also had the largest increase in 1987.

PA NONAGRICULTURAL JOB GROWTH
(percent change from year-ago month)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, BUR. OF RES. AND STATS.

At the same time, job growth has slowed (or the rate of decline has increased) in half of the 18 industries through the first ten months of this year. These facts suggest that **the manufacturing sector as a whole is far from booming, at least with respect to job growth, but does appear to be holding its own.** Additionally, the average factory workweek remains at record high readings which should help prop up job levels over the near-term.

The Pennsylvania Manufacturing Activity Index appears to have stabilized after a healthy run-up during 1987. However, as pointed out in the past, this measure of factory production trends has topped out at its highest level in nearly a decade. Steel output declined during the month but production still remains at a relatively high level compared to trends over the past several years.

Both average and weekly earnings of Pennsylvania's factory workers continue to rise, yet these gains have, for the most part, failed to keep up with inflation. Indeed, **in each month but one so far this year, inflation-adjusted earnings have failed to surpass year-ago readings.** Such a trend is certainly worrisome and merits further attention as additional data become available. At the same time, however, it should be pointed out that broader measures of income trends, especially personal income information, show that Pennsylvanians are doing better than the manufacturing earnings data suggest.

Nonmanufacturing job gains were fairly widespread during October as nearly all industries increased the

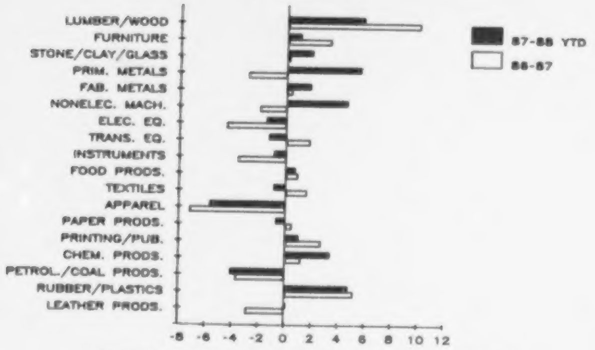
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	Sept.	*Oct.*	*Oct.*	*Sept.*	*Oct.*	*Oct.*	*Sept.*	*Oct.*	*Oct.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,083	5,113	5,008	5,058*	5,069	4,962	110.8	111.0	108.7
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,024*	4,056	3,954	4,008*	4,015	3,912	124.3*	124.5	121.4
Mining	30	30	31	29	30	31	60.2	61.7	63.7
Contract construction	257*	256	242	239*	241	227	130.0*	131.2	123.1
Transportation	142*	145	145	140*	141	141	87.2*	87.6	87.8
Public Utilities	105	105	105	105	105	105	104.4	104.1	104.2
Wholesale trade	270	270	265	268	269	264	121.1	121.5	119.0
Retail trade	880*	886	876	875*	877	868	122.0*	122.3	121.0
Finance, insurance & real estate	299	298	293	298	299	293	137.0	137.3	134.8
Service & miscellaneous	1,359*	1,366	1,301	1,354*	1,358	1,292	156.9*	157.4	149.8
Federal government	143	143	142	144	144	143	112.4	112.2	111.8
State & local government	539*	557	555	555*	551	548	95.2*	94.5	94.0
Manufacturing									
No. of wage and salary jobs (thous.)	1,057*	1,056	1,052	1,050	1,054	1,050	78.3*	78.5	78.3
Durable goods	604*	605	598	601*	605	599	74.2*	74.8	74.0
Nondurable goods	453*	451	454	449	449	451	84.4*	84.3	84.8
Ave. wkly. hrs. worked by prod. workers	41.4	41.3	41.0	41.3	41.4	41.1	104.5	104.7	104.0
Total wkly. person-hours worked (mils.)	30.0*	29.9	29.5	29.7*	29.8	29.4	77.5*	77.6	76.6
Total wkly. payroll (mil. dols.)	311.3*	310.4	296.7	308.5*	310.4	296.9	137.3*	138.2	132.1
Average hourly earnings (dollars)	10.38	10.38	10.06	10.37	10.41	10.10	177.3	178.0	172.6
Average weekly earnings (dollars)	429.73	428.69	412.46	428.87	430.84	414.39	185.4	186.2	179.1
Steel production (thous. tons)	1,179	1,187	1,163	n.a.	n.a.	n.a.	64.7	59.1	57.9
Industrial electric power sales (mil. kwh)	3,929	3,863	3,876	3,902	3,757	3,837	105.6	101.7	103.9
Mining									
Anthracite coal (thous. net tons)	395	368	371	359	323	321	73.4	66.0	65.7
Bituminous coal (thous. net tons)	7,667	7,236	6,417	7,798	6,317	6,005	110.6	89.6	85.1
Construction contracts awarded (mil. dols.)									
Total	924.8	755.3	1,041.2*	899.9	739.1	869.0*	279.7	229.7	270.1*
Residential building	418.8	386.4	293.8*	376.3	365.9	259.5*	267.4	260.0	184.4*
Nonresidential building	413.8	247.2	500.9*	416.1	213.8	421.4*	383.5	197.0	388.4*
Nonbuilding (utilities and public works)	92.2	121.8	146.5	107.5	159.4	188.1	148.4	220.0	259.5
Retail Sales (mil. dols.)	6,433	n.a.	6,039†	6,544	n.a.	6,149†	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,549	5,478	5,489	5,499	5,395	5,406	114.4	112.3	112.5
Unemployed									
No. of persons (thous.)	296	292	308	316	312	329	78.7	77.8	82.0
Rate (percentage of labor force)	5.1	5.1	5.3						
Rate, seasonally adjusted				5.4	5.5	5.6			
Civilian labor force, no. of persons (thous.)	5,845	5,770	5,797	5,815	5,707	5,735	111.7	109.6	110.1
Initial claims for unemployment benefits	55,407	63,887	69,330	71,279	69,479	75,375	49.8	48.5	52.6

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1988		1987		
	Sept.	*Oct.*	*Oct.*	*Month Ago*	*Year Ago*
U.S. city average	119.8	120.2	115.3	+0.3	+4.2
Philadelphia	125.2	124.6	119.1	−0.5	+4.6
Pittsburgh	n.a.	116.3	112.8	n.a.	+3.1

[1] Total includes workers on strike. * = figure revised † = figure for September 1987 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

1987-1988 YTD AND 1986-1987
PA MANUFACTURING JOB GROWTH
(in percent)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, BUR. OF RES. AND STATS.

number of positions on payroll after seasonal trends are discounted. The major exception is the "State and local government" category. Although 18,000 jobs were added in these establishments, many of them education-related, 22,000 additional jobs were expected based upon historical patterns. The big gainer was again the services industry which realized a seasonally adjusted gain of 4,000 jobs as the number of positions continues to set a new record on essentially a monthly basis. For nonmanufacturing as a whole, the 4.06 million jobs maintained in October represent a gain of 32,000 over September readings. Typically, jobs tend to go up by approximately 25,000 during the month, suggesting that the job picture was very solid in the State's nonmanufacturing establishments.

Construction indicators remain mixed as job levels continue on an upward track, yet measures of activity point to some slowing. The seasonally adjusted 241,000 construction jobs on payroll in October represent yet another record high. The value of contracts awarded, however, are down from 1987 readings on a year-to-date basis and the number of housing units authorized by permit was down during the first seven months of the year.

Elsewhere in nonmanufacturing, **Pennsylvania retailers apparently remain healthy with the typically robust Christmas shopping season approaching** as job levels have hovered at or near record high readings for several months running. As shown in the accompanying table, solid growth in retail sales is reflected in sales and use tax collections information for the most recent fiscal year (July 1987-June 1988). While retail sales growth came in at 9.2 percent on an annual basis during the period, sales and use tax collections grew at a healthy rate. Retail trade and services led the way with respect to collections growth.

As the end of 1988 approaches, many, though not all, indicators suggest that the year has been a good one on the economic front. Trends over the past few months, however, do suggest that the economy is in the process of slowing. Still, based on an exceptionally strong first half of the year, 1988 will surely be remembered as being "above average" with respect to the overall economy. **As is periodically stressed in the Survey, whether the recent slowdown is a sign of things to come or if it is just a temporary respite is very much dependent on trends throughout the nation.**

Pct. change in PA sales and use tax collections: FY 86/87-FY 87/88

	Pct. chg.
Ret. trade/srvs.	13.7
Ret. trade	13.4
Auto dlrs.	10.1
Furn./appl.	3.5
Gen. mchdse.	8.4
Bldg. mat.	14.6
Food stores	9.5
Other	32.8
Services	14.8
Whls. trade	6.0
Manufacturing	6.6
Public Utilities	9.4
Other	17.1
Government	20.2
Unclassified	16.4
Mot. veh. sales tax	2.1
Liquor control board	– 0.1

Source: PA Dept. of Revenue,
Office of Policy, Evaluation and Analysis

Given that the current (somewhat tentative) consensus appears to be for some slowing nationwide, the odds favor a similar scenario for Pennsylvania.

— *William D. Anderson*

Personal Income Report

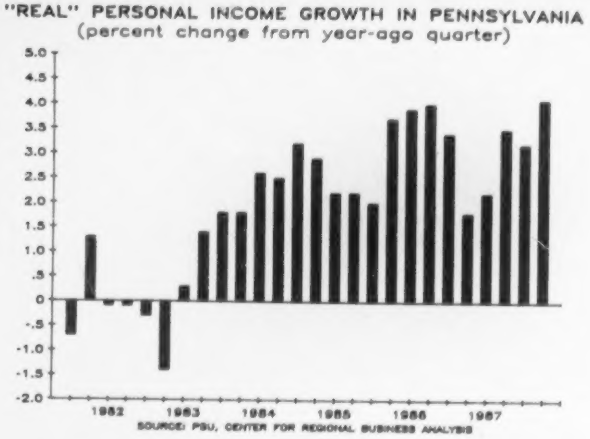
In the "Personal Income Report" contained in the September issue of the *PBS*, the fact that personal income growth in the Commonwealth had recently surpassed national rates was highlighted. Similar encouraging news is found in trends as they relate to the second quarter of 1988. Specifically, personal income in Pennsylvania totaled $193.6 billion for the three-month period for an increase of 2.2 percent from the first quarter and 7.8 percent from the year-ago quarter. This represents slight improvement from first quarter's performance and again shows that growth in Pennsylvania was stronger than in the nation. Gains of a similar nature were turned in by the nonfarm sector of the Commonwealth's economy.

As shown in the accompanying chart, personal income growth rates in recent quarters have been among the strongest of the current economic recovery, even after adjusting for the impact of inflation. Indeed, the 4.1 percent (annual) "real" growth rate turned in during this year's second quarter

Pennsylvania personal income (seas. adj. ann. rates; millions of dollars)

	Personal income	Pct. change Qt. agp	Pct. change Yr. ago	Nonfarm personal income	Pct. change Qt. ago	Pct. change Yr. ago
1988:IIQ	193,568	2.2	7.8	192,321	2.1	7.9
1988: IQ	189,465	0.8	7.7	188,394	0.8	7.7
1988 YTD	191,517	n.a.	7.8	190,358	n.a.	7.8

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

is the largest advance in a decade. Nearly all available evidence on the income front suggests that overall economic growth in the Commonwealth has picked up a notch, especially relative to the U.S. as a whole. In fact, a recent Bureau of the Census report noted that Pennsylvania was one of only a small handful of states in the eastern half of the U.S. to witness an increase in per capita income growth over the 1986-1987 period. Several factors will determine if such encouraging news continues, but perhaps the most important of these will be the ability of the nation's economy to continue to grow at a well-balanced pace and the future course of events in the all-important factory sector.

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January 1989

DESPITE FLUCTUATIONS, CONDITIONS IMPROVE...

some slowing still in the forecast

While the specifics may change from month-to-month, general economic trends in Pennsylvania remain relatively unchanged. Specifically, **overall trends suggest that the economy's health is intact, but a fairly strong case may be made suggesting that economic growth is in the process of slowing in the Commonwealth.** Recent volatility in several of the series monitored in the *PBS* tends to back up such a contention.

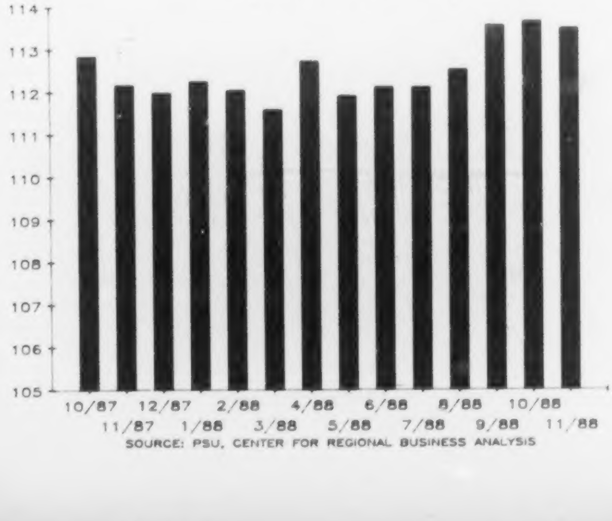
This volatility is evident in recent data pertaining to the employment/unemployment situation of Pennsylvania residents. **November brought with it a seasonally adjusted employment gain of 71,000 in the Commonwealth as a whole. This comes on the heels of declines of 106,000 in October and 26,000 in September. In August, employment rose by 93,000.** Not surprisingly, this volatile employment situation has resulted in similar behavior with respect to joblessness. For instance, November's seasonally adjusted 0.9 percentage point drop in the unemployment rate to 4.6 percent and August's 0.8 percentage point decline were sandwiched around a fair amount of upward pressure on the jobless picture in September and October.

In that 1988 will surely bring with it a new record with respect to the number of residents holding jobs in Pennsylvania, it is apparent that the positives have outweighed the negatives. On the other hand, the fact that trends, especially during the summer and fall months, have been fluctuating considerably does suggest that further improvement, although likely, is far from certain.

Such a murky overview and outlook is backed up by recent trends in two broad measures of the Pennsylvania economy's current and expected future health: the indices of coincident and leading indicators. The coincident index only partially offset two consecutive months of decline with a minimal gain in November. Of perhaps more importance is the fact that the index has stood below year-ago readings in each of the past two months, suggesting that **the economy has emerged from a rather robust first half of the year in essentially a holding pattern.** The leading index suggests that such a conclusion is likely to hold over the near-term as recent trends point to little change in the future.

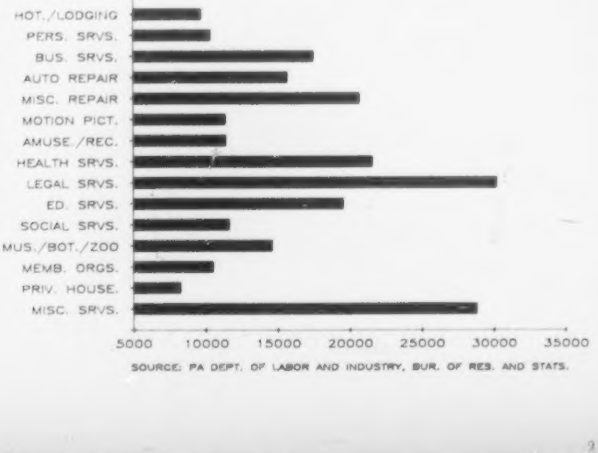
Looking at the job situation on an industry-by-industry basis, the service sector continues to provide the bulk of all new jobs in the Commonwealth. Through the first 11 months of 1988, these establishments accounted for 63,600 of the 112,700 new nonmanufacturing jobs in Pennsylvania. At a seasonally adjusted 1.36 million in November, these establishments continued operating with a record number of workers on payroll. In the past an attempt has been made in the *Pennsylvania Business Survey* to play-down the "wage debate" concerning the tradeoff, in terms of wages, between the jobs gained in the service industries and the jobs lost in the manufacturing industries. As the accompanying chart

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

1987 AVE. ANN. WAGES IN THE
THE PA SERVICE INDUSTRIES
(dollars)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, BUR. OF RES. AND STATS.

shows, there is a good deal of disparity among individual service industries with respect to average annual wages. For instance, workers (at least those covered by unemployment compensation laws) in private households and in hotels and lodging establishments earned less than $10,000 in 1987. Those employed in the personal services industries earned just over $10,000 in 1987. On the opposite end of the spectrum, legal services industries payed more than $30,000, on average, in 1987.

Furthermore, **the Commonwealth does not appear to have an exceptionally large concentration of jobs in those service industries offering less-than-average wages** (see table). In fact, the largest industry, health services, which accounts for more than one-third of all service jobs, paid wages which averaged nearly $21,600 per worker in 1987, well above the average of $18,475 for all service establishments. At $17,500 in 1987, the second largest industry, business services, paid just slightly less than the average, while the third largest, educational services, which accounts for nearly 9 percent of all service jobs, paid wages which averaged $1,100 more than the average. Clearly, not all service jobs correspond to the over-used stereotype of a "dead-end" job.

On a related note, the November issue of the *PBS* suggested that there may be a similar misconception with respect to Pennsylvania's designation as a high-wage State. The ac-

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	Oct.	*Nov.*	*Nov.*	*Oct.*	*Nov.*	*Nov.*	*Oct.*	*Nov.*	*Nov.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,117*	5,120	5,019	5,072*	5,071	4,970	111.1*	111.1	108.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,058*	4,061	3,963	4,017*	4,017	3,919	124.6*	124.6	121.6
Mining	30	30	31	30	30	31	61.4*	61.9	64.4
Contract construction	256	250	235	241	243	228	131.1*	131.8	123.7
Transportation	145	145	145	141	142	142	87.6	88.0	88.1
Public Utilities	105	105	105	105	105	105	104.1	104.0	104.2
Wholesale trade	270	270	265	269	270	265	121.5	121.8	119.4
Retail trade	888*	898	888	879*	879	869	122.6*	122.5	121.1
Finance, insurance & real estate	298	297	292	298*	298	293	137.1*	137.1	134.8
Service & miscellaneous	1,364*	1,359	1,298	1,355*	1,358	1,296	157.1*	157.4	150.3
Federal government	142*	142	143	144	143	144	112.1*	111.6	112.2
State & local government	561*	566	561	554*	554	549	95.0*	95.0	94.2
Manufacturing									
No. of wage and salary jobs (thous.)	1,057*	1,055	1,054	1,055	1,053	1,051	78.6*	78.5	78.4
Durable goods	605	605	600	605	605	600	74.8	74.7	74.0
Nondurable goods	452*	450	453	450*	448	451	84.5*	84.2	84.8
Ave. wkly. hrs. worked by prod. workers	41.3	41.7	41.5	41.4	41.3	41.1	104.7	104.5	104.0
Total wkly. person-hours worked (mils.)	29.9	30.2	29.7	29.8	29.8	29.4	77.7*	77.7	76.6
Total wkly. payroll (mil. dols.)	310.2*	314.7	302.4	310.2*	310.0	297.8	138.0*	138.0	132.6
Average hourly earnings (dollars)	10.37	10.43	10.16	10.40	10.40	10.13	177.8*	177.8	173.1
Average weekly earnings (dollars)	428.28	434.93	421.64	430.43	429.35	416.25	186.1*	185.6	179.9
Steel production (thous. tons)	1,187	1,073	1,102	n.a.	n.a.	n.a.	59.1	56.3	57.6
Industrial electric power sales (mil. kwh)	3,863	3,753	3,730	3,757	3,889	3,814	101.7	105.3	103.3
Mining									
Anthracite coal (thous. net tons)	384*	307	331	337*	277	311	68.9	56.7	63.6
Bituminous coal (thous. net tons)	7,555*	7,415	6,031	7,198*	7,628	6,313	102.1	108.1	89.5
Construction contracts awarded (mil. dols.)									
Total	755.3	717.2	740.8*	739.1	779.0	798.2*	229.7	242.1	248.1*
Residential building	386.4	371.1	284.9*	365.9	468.4	355.4*	260.0	332.8	252.5*
Nonresidential building	247.2	259.6	273.7*	213.8	217.3	242.3*	197.0	200.3	223.3*
Nonbuilding (utilities and public works)	121.8	86.5	181.7*	159.4	93.3	200.5*	220.0	128.7	276.6*
Retail Sales (mil. dols.)	6,486	n.a.	6,302†	6,490	n.a.	6,308†	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,478	5,491	5,425	5,395	5,465	5,393	112.3	113.7	112.2
Unemployed									
No. of persons (thous.)	292	248	300	312	262	314	77.8	65.4	78.3
Rate (percentage of labor force)	5.1	4.3	5.2						
Rate, seasonally adjusted				5.5	4.6	5.5			
Civilian labor force, no. of persons (thous.)	5,770	5,739	5,724	5,707	5,727	5,706	109.6	110.0	109.6
Initial claims for unemployment benefits	63,887	81,982	85,736	69,479	79,507	85,051	48.5	55.5	59.4

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1988		1987	*Month*	*Year*
	Oct.	*Nov.*	*Nov.*	*Ago*	*Ago*
U.S. city average	120.2	120.3	115.4	+0.1	+4.2
Philadelphia	124.6	125.3	118.6	+0.6	+5.6
Pittsburgh	116.3	n.a.	112.8†	n.a.	+3.1

[1] **Total includes workers on strike.** * = figure revised † = figure for October 1987 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

1987 job shares in the PA service industries (percent of all service jobs)

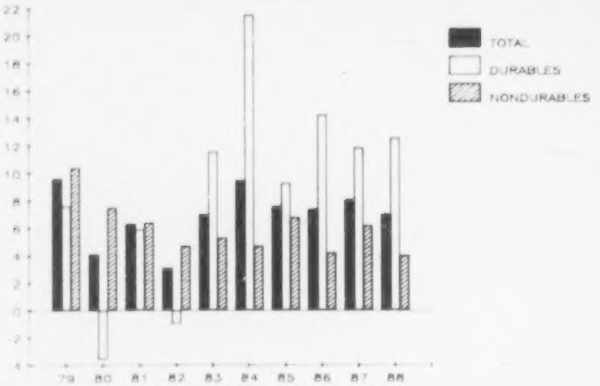
Hotels/lodging	4.5
Personal services	4.4
Business services	18.7
Auto repair	3.1
Misc. repair services	1.2
Motion pictures	0.5
Amusement/recreation	3.5
Health services	35.8
Legal services	3.1
Educational services	8.7
Social services	7.0
Museums/botan./zoo	0.2
Membership orgs.	3.8
Private households	0.5
Miscellaneous	5.1

Source: PA Dept. of Labor and Industry,
Bur. of Res. and Stats.

companying table expands upon this observation in examining 1987 average annual pay data for the Commonwealth's 15 metropolitan areas. Only Philadelphia's $22,447 exceeded the average for the 317 metro areas throughout the nation. Furthermore, only Philadelphia, along with Pittsburgh, had average annual pay levels in 1987 which exceeded the average for all of Pennsylvania. Each of the remaining 13 areas had pay levels which failed to match the $20,408 for the entire Commonwealth. At the least, it appears that generalizations for Pennsylvania may be dangerous. A thorough analysis of the data is required.

In addition to the service industries, Pennsylvania's retailers have also generated a significant number of new jobs through the first 11 months of 1988, though the number of positions on payroll was essentially unchanged from October in November after normal seasonal trends are eliminated. Specifically, they have accounted for 16,600 new positions for the year as a whole. As the accompanying chart shows, durable goods continue to lead the way with respect to retail sales, just as they have throughout the recovery. Through the first 10 months of 1988, total retail sales were up 7 percent on an annual basis in the Commonwealth, fueled by a rise of 12.6 percent on the durables side, more than three times as great as nondurables' 4 percent advance. **It appears that 1988 trends in retail trade fall pretty much in line with those from the previous few years.**

PA RETAIL SALES GROWTH
(annual percent change)



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF THE CENSUS

1987 average annual pay by PA metropolitan area

	1987 ave. ann. pay	Pct. of PA	86-87 pct. chg.
Allentown-Bethlehem	$20,042	98.2	5.2
Altoona	16,274	79.7	3.1
Beaver County	19,741	96.7	1.6
Erie	19,260	94.4	3.0
Harrisburg-Lebanon-Carlisle	19,599	96.0	4.2
Johnstown	16,880	82.7	3.4
Lancaster	18,910	92.7	6.1
Philadelphia	22,447	110.0	6.3
Pittsburgh	21,019	103.0	4.1
Reading	19,979	97.9	5.3
Scranton-Wilkes-Barre	16,866	82.6	5.9
Sharon	17,653	86.5	4.2
State College	18,279	89.6	5.8
Williamsport	17,666	86.6	4.1
York	18,741	91.8	5.4

Source: U.S. Dept. of Labor, Bur. of Labor Statistics

Another strong performance on the jobs front continues to be turned in by the construction industry where the number of payroll positions rose a seasonally adjusted 2,000 in November to another record high (243,000). For the year as a whole, approximately 13,600 new jobs have been generated by these establishments. As pointed out in the past, however, **information on contract awards suggests that activity may be slowing, especially in the nonresidential and nonbuilding categories. Additionally, information on housing permit authorizations also points to some slowdown in activity in the residential sector.**

All told, the job gains recorded in November by the service and construction industries just barely offset minimal declines in several other industries as total nonmanufacturing job levels increased minimally. In fact, **there are some signs that nonmanufacturing job growth is in the process of slowing.** For instance, job growth averaged 2.9 percent in the second and third quarters after a 3.2 percent gain in the first. During October and November, growth came in at 2.6 percent compared to year-ago levels. Such a slowdown in growth is likely for much of the economy, not just in nonmanufacturing, as we proceed through 1989, though it must be stressed that growth should remain positive.

On the factory side, some fairly impressive numbers have been posted in 1988, despite a slight seasonally adjusted job loss in November. **For the year, more than 10,000 new jobs have been added by Pennsylvania manufacturers, the strongest showing since 1984.**

The accompanying table illustrates the reversal which has occurred lately in manufacturing, at least with respect to job growth. A recent U.S. Bureau of Labor Statistics report identified five durable goods and four nondurable goods industries which accounted for the bulk of all factory job losses in Pennsylvania during the first several years of the decade. For instance, 86 percent of the 1979-1983 decline of 231,800 jobs in durable goods is accounted for by primary metals, fabricated metals, nonelectrical machinery, electronic equipment, and transportation equipment. On the nondurable goods side, apparel, textiles, food products, and rubber and plastics accounted for the lion's share of the more than 59,000 jobs lost between 1979 and 1983. Declines during the recession years early in the decade ranged anywhere from 9.2 percent in food products to 41 percent in primary metals. Performances improved in all but the apparel industry over the 1983-1987 period and four of the nine actually added workers during that time frame. Further gains were recorded in 1988 as five of the nine "declining" industries added workers, including the much-maligned primary metals.

Such a turnaround is also apparent in other measures of manufacturing's health. Previous issues of the *Survey* have stressed the fact that **production indicators are up and at their highest levels in several years. Average workweeks remain at or near record highs on a monthly basis. Earnings, whether measured on an hourly or weekly basis, despite some minor fluctuations, are also on an upward path. However, it is questionable as to whether or not these gains are keeping pace with price advances.**

— *William D. Anderson*

PA job growth in selected manufacturing industries (percent)

	1979-1983	1983-1987	1987-1988
Durables			
Prim. metals	-41.0	-27.2	5.5
Fab. metals	-26.1	5.2	1.6
Nonelec. mach.	-22.6	- 5.6	4.5
Elec. eq.	-19.7	- 7.9	-1.4
Trans. eq.	-32.8	4.3	-1.5
Nondurables			
Apparel	-12.2	-23.6	-5.5
Textiles	-24.4	-12.6	-1.2
Food prods.	- 9.2	0.7	0.6
Rubber/plastics	-20.6	20.8	4.6

Source: U.S. Dept. of Labor;
PA Dept. of Labor and Industry

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Pennsylvania Business Survey

February 1989

YEAR-END REVIEW AND OUTLOOK

Solid 1988...Soft Landing in 1989

During the course of 1988, an attempt was made in the *Pennsylvania Business Survey* to highlight four themes which provide a good synopsis of economic conditions throughout the Commonwealth:

- Manufacturing's solid performance;
- Pennsylvania's encouraging performance vs. the nation;
- A rebound in the performance of western Pennsylvania; and,
- A reduction in growth as the year progressed.

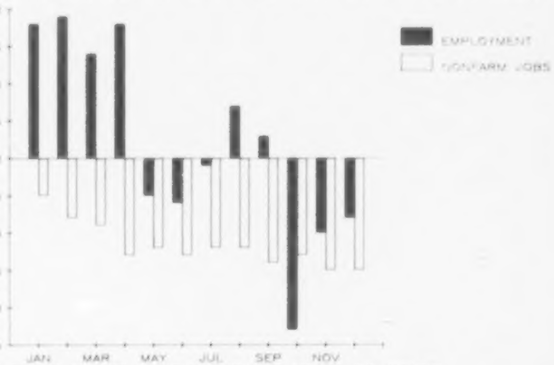
While these themes capture the general economic flavor of 1988, a review of expectations from a year ago provides additional detail. Our forecast incorrectly assumed that the stock market difficulties of the final months of 1987 were a sign of things to come. We called for some slowing in growth nationwide, which was expected to filter down to Pennsylvania. Instead, **the U.S. economy showed considerable vigor which translated into stronger growth in the Commonwealth.**

While we underestimated the economy's strength, a characteristic common to many forecasts for 1988, several aspects of the outlook were more accurate. The potential for a strong showing relative to the U.S. was raised as a likely probability. Expectations for improving conditions in Pennsylvania factories was also put forth. The relatively strong showing on the employment front during the first half of the year was also part of our expectations.

A review of economic indicators suggests that **a strong showing was turned in on the employment/unemployment front last year.** Employment growth, at a preliminary 2.4 percent, came in at one of its highest levels of the decade. A record number of Pennsylvanians were counted as employed, 5,458,000, up 130,000 from 1987. The 293,000 Commonwealth residents officially listed as without a job last year represent the lowest total since 1974, as does the 5.1 percent jobless rate. On a more negative note, **trends in initial claims for unemployment benefits, a leading indicator of joblessness, merit watching. They rose during the final three months of 1988 after adjusting for seasonality.**

There were, however, signs of a slowdown. While first quarter employment was up by 220,000 on an annual basis, fourth quarter's gain was 40,000. Employment growth was quite strong in Pennsylvania during the first four months of the year, averaging 1.5-2 percentage points higher than in the nation (see chart). In the final eight months of the year, Pennsylvania growth exceeded growth nationwide only twice. Still, the first half's performance pushed Pennsylvania growth for the year slightly above the 2.2 percent advance recorded by the U.S. Pennsylvania's showing relative to the U.S. over the longer-term leaves at least a fair amount of room for improvement, however.

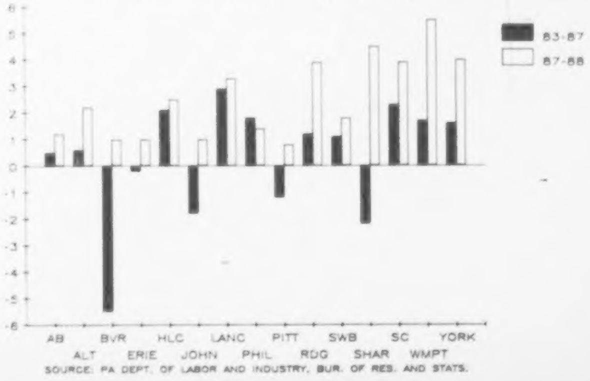
PA vs. THE U.S.: DIFFERENCES IN 1987-1988 EMPLOYMENT AND JOB GROWTH
(ann. pct. chg. in PA minus ann. pct. chg. in U.S.)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

A sound qualitative measure of economic strength is labor force behavior. Each metro area within Pennsylvania realized an increase in the labor force in 1988 (see chart). Five of these regions had negative growth rates over the 1983-1987 period. Trends suggest that **there was a narrowing of the**

1983-1987 AND 1987-1988 LABOR FORCE GROWTH IN PA METRO AREAS
(annual percentage change)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, BUR. OF RES. AND STATS.

gap between the "strong" metro areas and the "weak" metro areas.

Growth in nonagricultural jobs in Pennsylvania remained below that for the U.S. each month last year (see chart) and the shortfall increased as the year progressed. There were 5,038,000 jobs maintained in Pennsylvania establishments in 1988, a new record and up 2.5 percent from a year ago. This performance did not live up to the 3.6 percent advance recorded nationwide. **Trends in nonfarm jobs suggest that the employment picture may not have been quite as rosey as the resident data suggest,** especially in light of the fact that many analysts consider the nonfarm series to be statistically more reliable.

Over the 1983-1987 period, five areas realized annual job growth rates which were below Statewide readings (see chart). Four of these managed to improve upon that performance (relative to the Commonwealth) during the 1987-1988 period. Ten areas matched or exceeded Statewide growth during the earlier period but only four managed to expand this margin further over the course of 1988. These trends also suggest that there was some narrowing of the gap between Pennsylvania metro areas.

The turnaround in manufacturing is apparent as 10,000 jobs were added in 1988, the second gain recorded this decade. All new factory jobs are accounted for by the durable goods industries, a surprising outcome in that these industries

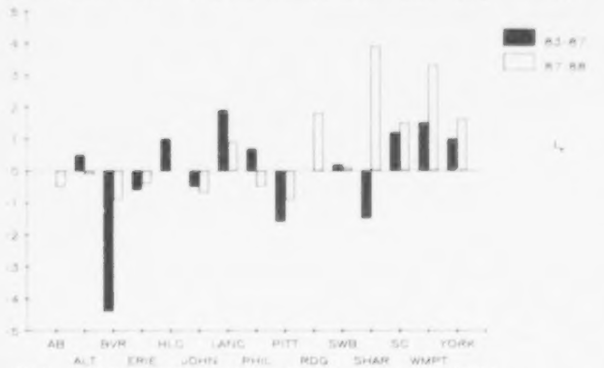
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	Nov.	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,123*	5,119	5,018	5,074*	5,083	4,982	111.1	111.4	109.1
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,064*	4,064	3,965	4,021*	4,029	3,930	124.7*	125.0	121.9
Mining	30	29	30	30	30	31	62.1*	62.9	65.0
Contract construction	251*	241	223	243	245	228	132.3*	133.3	124.0
Transportation	145	145	145	142	143	142	67.9*	88.6	88.2
Public Utilities	105	104	105	105	104	105	104.0	103.5	104.3
Wholesale trade	271*	271	265	271*	271	265	122.1*	122.0	119.7
Retail trade	898	912	903	879	882	873	122.5	122.9	121.7
Finance, insurance & real estate	298*	298	292	299*	299	293	137.6*	137.5	134.6
Service & miscellaneous	1,359	1,357	1,300	1,358	1,360	1,302	157.4	157.7	151.0
Federal government	142	143	145	143	143	145	111.6	111.5	113.0
State & local government	566	563	556	554	554	547	95.1*	95.0	93.8
Manufacturing									
No. of wage and salary jobs (thous.)	1,056*	1,055	1,052	1,054*	1,054	1,052	78.5	78.6	78.4
Durable goods	605	604	600	604	604	599	74.6*	74.5	74.0
Nondurable goods	451*	451	452	449*	450	452	84.3*	84.6	84.9
Ave. wkly. hrs. worked by prod. workers	41.7	41.1	41.8	41.3	40.5	41.2	104.5	102.5	104.2
Total wkly. person-hours worked (mils.)	30.2	29.8	30.0	29.8	29.4	29.6	77.7	76.5	77.1
Total wkly. payroll (mil. dols.)	314.7	312.4	305.9	310.0	306.0	299.7	138.0	136.2	133.4
Average hourly earnings (dollars)	10.43	10.49	10.21	10.40	10.42	10.14	177.8	178.1	173.3
Average weekly earnings (dollars)	434.93	431.14	426.78	429.35	421.45	417.36	185.6	182.2	180.4
Steel production (thous. tons)	1,081	1,058	1,068	n.a.	n.a.	n.a.	55.5	58.2	59.2
Industrial electric power sales (mil. kwh)	3,753	3,768	3,720	3,858	3,864	3,785	104.5	104.6	102.5
Mining									
Anthracite coal (thous. net tons)	307	258	303	267	252	288	54.6	51.5	58.9
Bituminous coal (thous. net tons)	7,415	6,436	5,385	7,482	7,470	5,970	106.1	105.9	84.6
Construction contracts awarded (mil. dols.)									
Total	717.2	666.3	908.7	780.0	809.7	1,098.0	242.4	251.7	341.3
Residential building	371.1	318.6	395.5	438.3	397.3	486.3	311.4	282.3	345.5
Nonresidential building	259.6	221.1	442.3	227.7	270.6	531.3	209.9	249.4	489.7
Nonbuilding (utilities and public works)	86.5	126.6	70.9	114.0	141.8	80.4	157.3	195.6	110.9
Retail Sales (mil. dols.)	6,802	n.a.	6,323†	6,654	n.a.	6,160†	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,491	5,523	5,459	5,465	5,522	5,458	113.7	114.9	113.6
Unemployed									
No. of persons (thous.)	248	243	293	262	267	318	65.4	66.7	79.3
Rate (percentage of labor force)	4.3	4.2	5.1						
Rate, seasonally adjusted				4.6	4.7	5.6			
Civilian labor force, no. of persons (thous.)	5,739	5,766	5,752	5,727	5,789	5,776	110.0	111.2	110.9
Initial claims for unemployment benefits	81,982	124,392	133,414	80,471	86,739	89,572	56.2	60.6	62.6

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1988		1987	*Month*	*Year*
	Nov.	*Dec.*	*Dec.*	*Ago*	*Ago*
U.S. city average	120.3	120.5	115.4	+0.2	+4.4
Philadelphia	125.3	125.6	118.9	+0.2	+5.6
Pittsburgh	n.a.	116.7	113.0	n.a.	+3.3

[1] Total includes workers on strike. * = figure revised † = figure for November 1987 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

1983-1987 AND 1987-1988 PA METRO AREA JOB GROWTH vs. GROWTH STATEWIDE
(ann. pct. chg. in area minus ann. pct. chg. in PA)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

often take the blame for the State's rather dismal showing earlier in the 1980s. **Despite the short-run uptick, barely a dent has been put into the losses racked up during the course of the past several years.** While factory jobs did increase by 1 percent, production, as measured by the Pennsylvania Manufacturing Activity Index, rose 3.5 percent (see table). Production is up by about one-fifth over the course of the recovery compared to a 7 percent job loss. While job levels are off considerably over the long-term, the drop in production is relatively small.

Other indicators of the factory sector's health also point to improvement. Hours worked, industrial power sales, and earnings were all up. However, the increase in average earnings failed to match the advance in prices. Hence, the typical factory worker, despite working longer hours and earning more, could not maintain purchasing power. Steel output continued to expand, increasing 18 percent. Output is still only about one-half of its 1979 level.

Nonmanufacturing turned in an even stronger performance as all but the mining sector contributed to a solid showing on the jobs front. In percentage terms, the strongest growth came in the construction industry where a 6.3 percent gain left employment at 236,000, a new record. Although contract awards were down in dollar terms as a result of sluggish showings in the nonresidential and nonbuilding categories, preliminary measures of real activity point to fairly healthy gains. The number of nonresidential projects authorized by permit rose 9 percent while nonbuilding projects increased 12 percent. **Housing permit authorizations were essentially unchanged from 1987 levels in rising by less than 1 percent,** settling at nearly 55,300 (see chart).

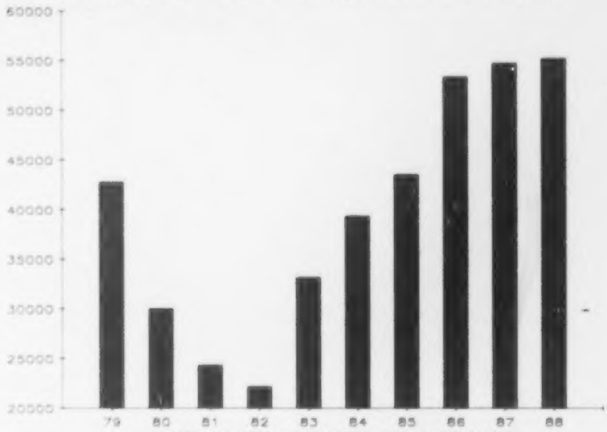
Within the service-producing areas, only the transportation and public utilities and government industry lines did not operate with a record number of workers in 1988. However, **service-producing job growth, at 2.7 percent, was off slightly from 1983-1987 averages.** The State's largest employer, the services industry, saw jobs rise nearly 5 percent to 1,337,000. This growth rate represents slight improvement over the 1987 pace.

Trends in PA manufacturing jobs and production: the short-term and the long-term (percentage change during specified periods)

	Jobs	Production
1987-1988	1.0	3.5
1982/1983-1988	−7.2	19.4
1979-1988	−24.2	−5.2
1973-1988	−28.9	−9.8

Source: PA Dept. of Labor and Industry;
PSU, Center for Regional Business Analysis

PA HOUSING UNITS AUTHORIZED BY PERMIT

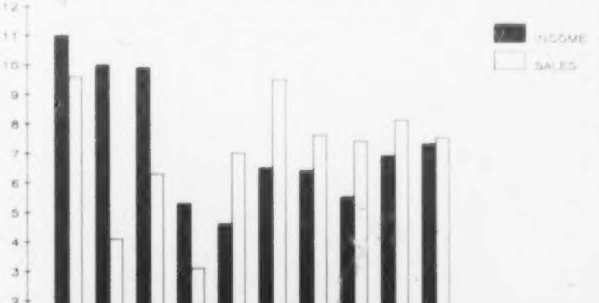


SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF THE CENSUS

Average monthly retail sales, at more than $6 billion, were up more than 7 percent compared to 1987, slightly larger than in the U.S. as a whole. There appears to have been a reversal in the relationship between retail sales and personal income growth in Pennsylvania during the early 1980s, a shift probably reflective of the onset of economic recovery. Over the 1979-1982 period, personal income growth exceeded retail sales growth each year. Since then, income growth has lagged sales growth every year, but by a decreasing amount (see chart). There are some interesting underlying trends at play here. However, in light of the lack of a lengthy time series of data, it is difficult to draw definitive conclusions.

In sum, **1988 appears to have been a solid year for Pennsylvania. Perhaps the most important factor contributing to the economy's renewed vigor was the strength in manufacturing.** Circumstantial evidence suggests that a strong showing was also turned in by Pennsylvania's consumers, though no hard data are available to back this up. A solid showing with respect to employment and income opportunities helped push forward retail activity and kept

PA RETAIL SALES AND PERSONAL INCOME GROWTH
(annual percentage change)



SOURCE: U.S. DEPT. OF COMMERCE

residential building on a near-record pace. Still, the problems facing the Commonwealth must not be ignored. There is continued concern with respect to an apparent mismatch between skill levels and available jobs. The problem of "underemployment" still remains. The Commonwealth continues to lose citizens, many of whom are young and highly educated, to other regions of the country. Finally, several communities, most found within the industrial regions of the State, remain depressed. Despite these problems, it is quite likely that economic conditions will remain positive throughout 1989.

Before the specifics are spelled out, some attention should be given to expectations regarding the U.S. economy. These events will again play the dominant role in determining the health of the Pennsylvania economy. The current consensus is that **the probability of a recession in 1989 is diminishing.** If anything, the economy may be too strong as fears of inflation appear to be widespread. Solid job, income, and spending growth in combination with concerns surrounding industrial capacity constraints have given rise to worries over price escalations. Expectations are for the Federal Reserve to continue tightening conditions in the nation's credit markets, raising interest rates, especially on the short-term side. This may hold economic growth to a more sustainable pace, probably around 2.5 percent. Additionally, the improvement on the trade front appears to have stalled and that will exert some downward pressure on growth. However, manufacturing should remain fairly strong in the short-term as there appears to be enough work in the "pipeline" to keep activity brisk. At the same time, signals near the end of 1988 suggested that consumer-related activity was poised to turn in a solid year in 1989. **It is quite likely that the actions on the monetary policy and trade fronts will prevail and growth will moderate, especially in the second half of the**

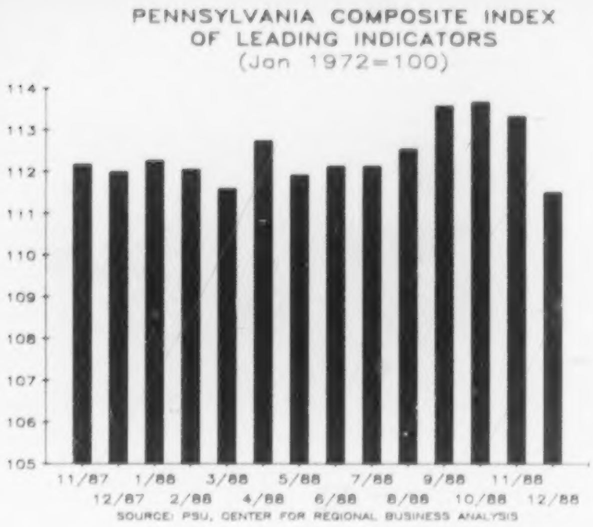
Annual Review of Major Economic Indicators — Pennsylvania and the United States

	Pennsylvania					United States		
	Mo. Ave.		Pct. change from			Pct. change from		
	1988	1987	1987	82/83 ave	1979	1987	82/83 ave	1979
No. of wage and salary jobs (thous.)								
All nonfarm industries	5,038	4,917	2.5	10.5	4.6	3.6	18.0	18.1
Manufacturing	1,052	1,042	1.0	-7.2	-24.2	2.5	5.0	-7.1
Durable goods	601	591	1.7	-8.1	-29.6	2.7	5.8	-9.7
Primary metals	92	88	4.5	-30.0	-54.9	4.4	-10.8	-37.6
Nondurable goods	450	451	-0.2	-6.2	-15.6	2.2	3.9	-3.1
Nonmanufacturing	3,984	3,872	2.9	16.5	16.5	3.9	21.4	25.8
Mining	30	31	-3.2	-29.4	-42.3	1.7	-29.5	-23.5
Construction	236	222	6.3	41.3	15.7	5.9	34.8	18.6
Service-producing industries	3,718	3,619	2.7	15.8	17.5	3.8	21.4	27.0
Transportation and public utilities	246	245	0.4	0.6	-9.6	3.6	11.2	8.7
Wholesale trade	269	263	2.3	11.9	12.6	4.8	16.7	18.3
Retail trade	875	859	1.9	17.3	16.2	3.8	24.7	28.1
Finance, insurance, and real estate	297	292	1.7	23.0	26.9	2.0	23.6	34.2
Services and miscellaneous	1,337	1,274	4.9	26.2	41.6	5.2	31.5	48.8
Federal government	143	142	0.7	7.5	9.2	1.0	7.8	7.1
State and local government	551	544	1.3	1.0	-6.6	2.5	10.1	9.4
Ave. wkly. hours worked by production workers								
All manufacturing industries	41.1	40.9	0.5	5.9	3.0	0.2	4.1	2.2
Durable goods	42.0	41.9	0.2	5.8	1.9	0.5	4.5	2.5
Primary metals	43.0	42.6	0.9	12.1	3.6	1.2	10.2	5.3
Nondurable goods	39.8	39.7	0.3	5.7	5.0	0.0	3.3	2.3
Total factory person-hours worked (mils.)	29.5	28.9	2.1	-1.3	-25.7	2.9	9.7	-9.5
Total factory payrolls (mil. dols.)	303.4	288.8	5.1	15.4	9.5	5.7	28.9	37.5
Average hourly earnings (dollars)	10.27	9.98	2.9	16.8	46.9	2.6	17.4	51.8
Average weekly earnings (dollars)	421.78	408.17	3.3	23.7	51.4	2.9	22.2	55.2
Steel production (thous. tons)	1,139	967	17.8	14.4	-51.6	11.4	24.8	-27.2
Industrial electric power sales (mil. kwh)	3,818	3,633	5.1	14.0	-3.4	4.8	16.5	5.2
Mining								
Anthracite coal (thous. net tons)[1]	290	297	-2.4	-19.8	-28.0			
Bituminous coal (thous. net tons)	6,162	5,572	10.6	5.3	-17.1	4.4	18.6	23.1
Construction contracts awarded								
Total, current dollars (mils.)	827.5	849.2	-2.6	110.4	114.7	-1.9	44.7	50.3
Residential building	370.5	325.6	13.8	136.7	120.8	-0.2	58.2	62.1
Nonresidential building	290.8	335.6	-13.3	99.0	114.6	-4.7	42.4	72.9
Nonbuilding (utilities and public works)	166.2	188.1	-11.6	83.0	102.2	-0.9	21.0	4.1
Total, constant 1982 dollars (mils.)[2]	714.0	743.0	-3.9	83.9	49.8	-3.3	26.6	4.9
Residential building	319.7	284.9	12.2	107.4	54.1	-1.6	38.7	13.2
Nonresidential building	250.9	293.6	-14.5	73.9	49.8	-6.0	24.5	20.7
Nonbuilding	143.4	164.6	-12.9	59.7	41.1	-2.3	5.7	-27.3
Retail Sales (mil. dols.)	6,323	5,904	7.1	51.9	78.2	6.6	44.2	79.3
Employed, no. of persons (thous.)	5,458	5,328	2.4	12.0	9.4	2.2	14.8	16.3
Unemployed								
No. of persons (thous.)	293	320	-8.4	-53.1	-21.0	-9.8	-37.4	9.2
Rate (percentage of labor force)	5.1	5.7						
Civilian labor force, no. of persons (thous.)	5,750	5,648	1.8	4.6	7.3	1.5	9.7	15.9
Initial claims for unemployment benefits (thous.)	83	91	-8.8	-52.0	-42.4			
Consumer Price Index for All Urban Consumers, all items (1982-1984 = 100)								
U.S. city average						4.1	20.7	62.9
Philadelphia	122.4	116.8	4.8	24.9	65.6			
Pittsburgh	115.1	111.4	3.3	17.7	61.7			

NOTES: All data are preliminary and are subject to revision.

[1] Pennsylvania is the only state mining Anthracite coal.

[2] Deflated by an estimated annual average of the U.S. Department of Commerce Monthly Composite Construction Cost Index.


PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS (Jan 1972=100)

SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

year. Still, it must be stressed that growth will remain positive.

Trends in Pennsylvania are likely to mirror these. Some slowdown in growth is expected, but gains should again be recorded for the year as a whole. These general expectations are reflected in the behavior of the Pennsylvania leading index of economic indicators. For much of the year, the index drifted erratically upward. At year-end, however, the index had declined two consecutive months. The specifics of the forecast are outlined below:

- **Employment will continue to set record highs.** (The first piece of economic news for 1989 showed January employment at a new record.) Growth, at worst, may recede only slightly from the 1988 pace. Continued downward pressure will be exerted on joblessness as the unemployment rate should fall well below the 5 percent-level. These trends should continue to fuel solid gains in income and spending. The end result is expected to be continued strength in retail sales.
- **Manufacturing jobs should hold fairly steady.** The job picture should be somewhat more impressive early in the year. **Production should give back little of the ground made up over the course of the past two years,** though activity is unlikely to grow considerably.
- **Service-related industries should continue providing the bulk of all new jobs.** Especially strong gains are again expected in the trade and service sectors, reflecting a continuation of long-run trends.
- **Increases in mortgage rates may put some downward pressure on residential construction activity.** However, the dropoff from record levels of activity should not be severe. Elsewhere, the decline in building activity may be more pronounced in conjunction with trends in overall economic growth.

The Commonwealth should continue to hold its own relative to the U.S. At the same time, while Pennsylvania has performed more in line with the U.S. of late, little progress has been made in terms of reversing several years of relatively large shortfalls. **The past several years of economic recovery have benefitted Pennsylvania greatly.** Service-producing activity has grown considerably while a more efficient goods-producing sector has emerged. An offshot of this is that **the Commonwealth should be in slightly better shape than has previously been the case to weather the next economic downturn, whenever it does arrive.**

— *William D. Anderson*

Around the State

Northeastern Quarter

Allentown-Bethlehem

Economic conditions continued to improve in the Allentown-Bethlehem metropolitan area in 1988, in line with results in most other regions of Pennsylvania. The Lehigh Valley economy is growing at a fairly healthy and sustainable pace, but it is far from booming.

The fact that the region's manufacturers continue to reduce payrolls remains a sore spot. Factory jobs fell 1.2 percent in 1988 to 76,200, a new low and the fourth consecutive decline. The loss was concentrated in the electronics and transportation equipment categories on the durable goods side. Nondurable goods jobs rose by 600 as increases in printing and publishing and chemicals offset continued problems in the textile and apparel industries. Not all of the factory news is bad. Both the average workweek and industrial power sales rose for the fifth time in six years, suggesting that the job numbers may present an overly pessimistic picture.

The dollar value of construction contract awards rose on both the residential (13 percent over 1987 levels) and nonresidential (up 66 percent) sides. Jobs in the building industries rose by 1,400. Information on housing permit authorizations is not yet available to see if rapid growth rates

Allentown-Bethlehem Area[1]

	Ave. mo. value *4 Q.'88*	Average monthly index seas. adj. (1977 = 100) *4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	309.6	113	113	112
Unemployed, no. of residents	12.6	68	69	82
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	322.2	110	110	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	280.3	109	108	106
Nonmfg. only, no. of jobs	203.7	136	134	132
Mfg. only, no. of jobs	76.6	71	71	71
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	105	104	105
Industrial electric power sales				
Metropolitan area	***	112	113	112
Allentown	***	98	99	101
Bethlehem	***	124	122	120
Easton	***	113	117	112
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	411.4	+13		
Nonresidential contracts only	243.9	+66		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

continued into 1988. The gain in residential contract awards is off slightly from previous years, so some slowing may have occurred.

Nonmanufacturing jobs were up 3.2 percent, slightly higher than the Statewide gain. The 200,100 positions in these establishments represent another record. Gains were concentrated in the services industries where job levels were up 3,300 from 1987. Retail trade supplied 1,100 more jobs. This strength pushed total nonfarm jobs up 2 percent last year, slightly below the State's 2.5 percent advance. Only three other metro areas realized smaller percentage gains.

Resident employment rose 1.9 percent in 1988 to a new record, 307,800. This fell 0.5 percentage point below the Statewide advance. It did pave the way for a reduction in the jobless rate from 5 percent to 4.4 percent, the lowest reading since 1974. Over that 14-year period, employment growth in the region has been slightly less than in Pennsylvania but only about one-third of that for the nation as a whole. This example is illustrative of overall trends. While great strides have been made, the region has not turned in an especially impressive performance when all of the pluses and minuses of the past several years are averaged out.

Trends in 1988 conformed well with those we expected a year ago. Growth continued, but did not soar. This year promises to bring more of the same. External developments on the trade and credit fronts are likely to result in a slight slowdown in overall economic growth. However, the region is expected to proceed through 1989 recession-free and with a minimal amount of damage.

Scranton-Wilkes-Barre

Good news dominated the economic landscape in the Scranton-Wilkes-Barre metropolitan area in 1988 as improvement was recorded on several fronts. These general trends should continue although some slowing is likely if growth, as expected, softens a bit nationwide.

Last year's strength is evident in labor force trends. The jobless rate dropped from 6.9 percent to 6 percent, its fifth consecutive fall. Employment rose by 9,200 for the year to another record high of 332,500. The 2.8 percent employment advance turned in by the region compares rather favorably with the 2.4 percent gain recorded Statewide. The 21,400 residents officially listed as unemployed in 1988 represents the lowest reading on record, dating back to 1974.

The news was also positive with respect to nonfarm job growth. Throughout the course of the recovery, growth has consistently been slightly higher in the metro area relative to Pennsylvania. Average annual growth over the 1983-1987 period was 0.2 percentage point greater than in the State. In 1988, the region's 2.6 percent job gain was 0.1 percent higher than in the Commonwealth.

Nonagricultural job growth continues to be fueled by nonmanufacturing. These industries increased employment 3.7 percent in 1988 to 225,200, another new record. Statewide, growth was 2.9 percent. Only mining lost jobs last year. Gains ranged from 400 positions in the government and finance sectors to 4,200 in services. Construction added 800 jobs. In light of one of the largest advances in residential contract awards in recent years, it is likely that the region continued a string of impressive performances with respect to housing permit authorizations. Residential building growth appears to have been especially impressive in Monroe County in previous years (data is not available for 1988). Elsewhere in the region, growth appears to have been a bit more erratic.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 4 Q.'88	Average monthly index seas. adj. (1977 = 100) 4 Q.'88	3 Q.'88	4 Q.'87
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	336.5	118	118	116
Lackawanna County[2]	103.4	114	114	112
Luzerne County[3]	149.6	112	112	110
Unemployed, no. of residents				
Metropolitan area	19.4	65	69	76
Rate, seasonally adjusted	5.7			
Lackawanna County[2]	5.1	59	60	70
Luzerne County[3]	10.3	68	71	79
Civilian labor force, no. of residents				
Metropolitan area	355.9	113	113	112
Lackawanna County[2]	108.5	109	108	108
Luzerne County[3]	160.0	108	108	107
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	302.0	115	114	112
Nonmfg. only, no. of jobs	230.2	129	127	124
Mfg. only, no. of jobs	71.3	86	85	86
Hrs. worked by production workers in mfg., *ave. weekly*	38.9	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	113	112	113
Lackawanna County[2]	***	124	127	124
Luzerne County[3]	***	99	96	100
Hazleton	***	88	86	94
Wilkes-Barre	***	108	101	104
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	349.2	+37		
Nonresidential contracts only	159.7	+ 1		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties

[2] Includes Scranton

[3] Includes Wilkes-Barre and Hazleton

[4] Excludes Wyoming County

Although losses seem to be lessening, the region's factories have yet to see the reversal in job growth evident Statewide where jobs were up 1 percent in 1988. Within the five-county area, jobs were off 0.7 percent on the heels of a 1.7 percent decline in 1987. The region's two largest manufacturers, apparel and fabricated metals, lost 700 and 100 jobs, respectively.

Despite the apparent weakness in the region's factories, economic growth remains on par with the State as a whole. However, that does not mean that problems are nonexistent. The area's jobless rate stood well above the State's 5.1 percent reading in 1988. Of the 14 other metro areas in the Commonwealth, ten had lower unemployment rates.

Williamsport

Lycoming County's economy turned in a stellar performance last year. Further gains are probable as 1989 unfolds, though it is unlikely that the gains of the past two years will be matched. Signs of a slowdown may be found in last year's trends. During the first quarter, nonfarm jobs were up by 3,900 compared to a year earlier. Jobs were up only 1,900 during the fourth quarter. Still, for the year, establishment jobs were 5.8 percent higher than in 1987. This represents the second highest gain among the State's 15 metro areas.

Leading the way was nonmanufacturing with 36,400 positions. There were 2,500 more jobs compared to 1987. The services and trade industries accounted for 75 percent of the new jobs as both rose to record highs. Construction jobs held steady, though the increases in the value of contract awards suggest that activity continued to rise.

Manufacturing continued outperforming the State with respect to job growth in the region. The 16,600 jobs in these industries, the highest total for the decade, represent a gain of 2.5 percent. While jobs have only recently begun a slow climb in the State, they have advanced in four of the past five years in the Williamsport area. Last year's gains were concentrated in the durable goods industries, especially in transportation equipment. The 15 percent gain in industrial power sales, a rough indicator of production trends, is probably misleading as there were some abnormalities in the first quarter data. Even discounting that three month period, however, gains were still recorded. The factory workweek, a leading indicator of hiring activity, fell considerably in the

Williamsport Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'88	*4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	58.6	124	124	121
Unemployed, no. of residents	3.0	74	72	77
Rate, seasonally adjusted	5.2			
Civilian labor force, no. of residents	61.6	120	120	117
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	54.0	116	116	112
Nonmfg. only, no. of jobs	37.6	132	130	123
Mfg. only, no. of jobs	16.4	92	92	94
Hrs. worked by production workers in mfg., *ave. weekly*	40.7	104	107	107
Industrial electric power sales	• • •	92	102	91
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	27.3	+22		
Nonresidential contracts only	18.1	+59		

[1] Lycoming County

	Allentown-Bethlehem			Altoona			Beaver		
	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	276.4	271.1	2.0	52.1	50.9	2.4	51.7	50.9	1.6
Manufacturing	76.2	77.1	-1.2	11.3	11.3	0.0	9.5	9.8	-3.1
Durable goods	34.7	36.1	-3.9	4.1	4.2	-2.4	7.3	7.6	-3.9
Nondurable goods	41.5	40.9	1.5	7.2	7.1	1.4	2.1	2.2	-4.5
Nonmanufacturing	200.1	193.9	3.2	40.8	39.6	3.0	42.2	41.0	2.9
Ave. wkly. hours worked by production workers									
Manufacturing	40.0	39.8	0.5	40.6	39.4	3.0	42.2	41.6	1.4
Durable goods	41.9	41.3	1.5	41.5	39.1	6.1	42.5	41.6	2.2
Nondurable goods	38.4	38.5	-0.3	40.1	39.6	1.3	40.9	41.3	-1.0
Industrial electric power sales index (1977 = 100)	112.4	108.7	3.4	77.5	77.3	0.3			
Employment of Residents									
Employed, no. of persons (thous.)	307.8	302.0	1.9	56.0	54.6	2.6	57.4	56.3	2.0
Unemployed									
No. of persons (thous.)	14.2	16.0	-11.3	4.1	4.2	-2.4	5.5	6.1	-9.8
Rate (percentage of labor force)	4.4	5.0		6.8	7.2		8.7	9.8	
Civilian labor force, no. of persons (thous.)	322.0	318.1	1.2	60.1	58.8	2.2	63.0	62.4	1.0

	Erie			Harrisburg-Lebanon-Carlisle			Johnstown		
	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	112.7	110.4	2.1	300.6	293.4	2.5	79.3	77.9	1.8
Manufacturing	34.8	34.5	0.9	52.6	52.0	1.2	13.2	12.9	2.3
Durable goods	23.3	23.2	0.4	25.0	23.8	5.0	7.8	7.5	4.0
Nondurable goods	11.4	11.2	1.8	27.6	28.2	-2.1	5.5	5.4	1.9
Nonmanufacturing	77.9	75.7	2.9	247.9	241.4	2.7	66.1	64.9	1.8
Ave. wkly. hours worked by production workers									
Manufacturing	43.0	41.3	2.6	39.9	39.9	0.0	39.7	39.1	1.5
Durable goods	42.4	41.0	3.4	41.0	41.0	0.0	42.5	41.7	1.9
Nondurable goods	44.1	43.8	0.7	39.0	39.1	-0.3	35.6	35.4	0.6
Industrial electric power sales index (1977 = 100)	116.6	108.5	7.5	92.0	83.3	10.4	186.5	169.4	10.1
Employment of Residents									
Employed, no. of persons (thous.)	120.7	118.1	2.2	306.5	298.7	2.6	87.5	85.8	2.0
Unemployed									
No. of persons (thous.)	7.9	9.2	-14.1	12.7	12.8	-0.8	7.0	7.8	-10.3
Rate (percentage of labor force)	6.1	7.2		4.0	4.1		7.4	8.3	
Civilian labor force, no. of persons (thous.)	128.6	127.3	1.0	319.3	311.5	2.5	94.5	93.6	1.0

second half of the year. Hence, trends merit watching as 1989 unfolds.

These positive trends in just about every sector of the economy translate into a solid showing with respect to employment/unemployment. A new record was set as 58,000 residents were counted as employed in 1988. The 6 percent gain over 1987 is more than twice that for the State as a whole. As a result, the jobless rate fell 0.4 percentage point to 5.2 percent, its lowest reading in 15 years. Impressive growth occurred in the labor force which rose 5.5 percent from 1987. The labor force tends to move positively with economic conditions, contracting when job opportunities are minimal but expanding during prosperous times. During the 1983-1987 period, labor force growth averaged 1.7 percent per year in Lycoming County. Statewide, growth averaged 0.6 percent. In 1988, growth compared quite favorably with the 1.8 percent increase for Pennsylvania.

Southwestern Quarter

Altoona

Blair County's economy displayed trends that were nearly identical to those Statewide during 1988, just as it has been doing for the past several years. Hence, it appears that over both the short- and long-term, the region has turned in a satisfactory performance, but one that leaves some room for improvement. It is likely that a similar scenario will unfold in 1989, assuming that growth nationwide continues.

The jobless rate fell 0.4 percentage point to 6.8 percent. This is its lowest reading since 1974, but still 1.7 percentage points above Statewide norms. At a record high of 56,000, resident employment was up 1,400 from 1987. This advance was strong enough to absorb an increase in the labor force of 1,300 and reduce the volume of unemployment by 100. Employment growth since the recovery began has been 14.5 percent in Blair County, 2.5 percentage points greater

	Lancaster			Philadelphia			Pittsburgh		
	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	185.1	179.0	3.4	2,188.5	2,146.4	2.0	866.2	852.7	1.6
Manufacturing	59.5	60.0	−0.8	372.7	374.6	−0.5	125.1	123.6	1.2
Durable goods	34.5	34.4	0.3	197.5	198.5	−0.5	89.6	87.9	1.9
Nondurable goods	25.0	25.5	−2.0	175.1	176.0	−0.5	35.6	35.7	−0.3
Nonmanufacturing	125.6	118.9	5.4	1,815.0	1,771.4	2.5	740.9	728.8	1.7
Ave. wkly. hours worked by production workers									
Manufacturing	40.6	40.3	0.7	40.5	40.7	−0.5	42.2	41.9	0.7
Durable goods	41.6	41.3	0.7	41.7	41.7	0.0	42.7	42.5	0.5
Nondurable goods	39.5	39.2	0.8	39.2	39.6	−1.0	40.6	40.3	0.7
Industrial electric power sales index (1977 = 100)	139.4	135.2	3.1	110.5	105.9	4.3	63.4	59.5	6.6
Employment of Residents									
Employed, no. of persons (thous.)	210.2	202.9	3.6	2,320.3	2,281.6	1.7	899.9	883.5	1.9
Unemployed									
No. of persons (thous.)	7.7	8.1	−4.9	99.5	105.3	−5.5	55.2	63.4	−12.9
Rate (percentage of labor force)	3.5	3.8		4.1	4.4		5.8	6.7	
Civilian labor force, no. of persons (thous.)	217.9	211.0	3.3	2,419.9	2,386.9	1.4	955.0	947.0	0.8

	Reading			Scranton-Wilkes-Barre			Sharon		
	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	153.7	147.3	4.3	296.4	288.9	2.6	43.0	40.4	6.4
Manufacturing	49.2	48.0	2.5	71.0	71.5	−0.7	10.6	9.6	10.4
Durable goods	30.4	28.9	5.2	28.7	29.0	−1.0	9.3	8.2	13.4
Nondurable goods	18.8	19.0	−1.1	42.4	42.6	−0.5	1.4	1.4	0.0
Nonmanufacturing	104.3	99.3	5.0	225.2	217.2	3.7	32.3	30.8	4.9
Ave. wkly. hours worked by production workers									
Manufacturing	41.0	41.2	−0.5	38.8	38.9	−0.3	41.5	41.8	−0.7
Durable goods	41.8	42.0	−0.5	40.3	41.5	−2.9	42.1	42.3	−0.5
Nondurable goods	39.5	40.0	−1.3	37.9	37.3	1.6	37.3	38.4	−2.9
Industrial electric power sales index (1977 = 100)	139.1	134.7	3.3	112.3	110.2	1.9	116.7	105.1	11.0
Employment of Residents									
Employed, no. of persons (thous.)	169.1	161.7	4.6	332.5	323.3	2.8	48.3	45.4	6.4
Unemployed									
No. of persons (thous.)	7.6	8.3	−8.4	21.4	24.1	−11.2	2.6	3.3	−21.2
Rate (percentage of labor force)	4.3	4.9		6.0	6.9		5.1	6.7	
Civilian labor force, no. of persons (thous.)	176.7	170.0	3.9	353.8	347.4	1.8	50.9	48.7	4.5

Altoona Area[1]

	Ave. mo. value 4 Q.'88	Average monthly index seas. adj. (1977 = 100) 4 Q.'88	3 Q.'88	4 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	56.4	108	107	106
Unemployed, no. of residents	3.8	103	110	116
Rate, seasonally adjusted	6.5			
Civilian labor force, no. of residents	60.1	108	107	107
Local industries *(in thousands)*	–			
All nonagricultural ind., no. of wage and salary jobs	52.7	103	101	100
Nonmfg. only, no. of jobs	41.5	108	107	105
Mfg. only, no. of jobs	11.3	87	84	87
Hrs. worked by production workers in mfg., *ave. weekly*	41.0	108	106	103
Industrial electric power sales	***	78	77	79
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	28.8	+ 85		
Nonresidential contracts only	45.8	+ 129		

[1] Blair County

than in Pennsylvania. However, growth since 1979 is only one-half of the gain recorded Statewide. This suggests that the region was especially hard-hit by the recessions of the early 1980s.

Growth in nonfarm jobs slowed somewhat in 1988. Last year's 2.4 percent advance came on the heels of a 2.8 percent gain in 1987. Furthermore, nonagricultural job growth averaged 0.5 percentage point higher per year than growth Statewide during the 1983-1987 period. In 1988, establishment job growth was 0.1 point less than in the Commonwealth. At a record high of 40,800, nonmanufacturing jobs in Blair County rose 3 percent last year. Statewide, a 2.9 percent advance was registered. Construction jobs were essentially unchanged from 1987, though solid gains in the value of contract awards suggest that activity expanded during the year. The service-producing industries accounted for all new jobs last year. Retail trade and services led the way, each with 400 additional positions.

In terms of new jobs, the factory sector continues to add very little to overall growth in Blair County. At 11,300, factory positions in 1988 were unchanged from the previous year. Jobs have held relatively steady in a narrow band since the onset of economic recovery in the early 1980s. However, the average factory workweek rose to a new record in settling at 40.6 hours. Such a trend may help prop up job levels in the coming months. Industrial power sales, a proxy for production activity, have been on an upward track for two years. Still, one must go back to the late 1960s to find a period in which sales have been as low as they have been in recent years.

Johnstown

Last year brought with it a continuation of growth in the Cambria/Somerset County economy, just as predicted a year ago. However, trends are still unimpressive when compared to those Statewide.

Johnstown Area[1]

	Ave. mo. value 4 Q.'88	Average monthly index seas. adj. (1977 = 100) 4 Q.'88	3 Q.'88	4 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	87.7	91	91	91
Unemployed, no. of residents	6.0	62	69	76
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	93.7	88	89	89
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	80.0	91	90	90
Nonmfg. only, no. of jobs	66.7	100	99	99
Mfg. only, no. of jobs	13.2	63	62	62
Hrs. worked by production workers in mfg., *ave. weekly*	39.8	102	100	103
Industrial electric power sales	***	186	194	185
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	55.6	+ 36		
Nonresidential contracts only	36.5	+ 14		

[1] Cambria and Somerset Counties

	State College			Williamsport			York		
	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	55.0	52.9	4.0	53.0	50.1	5.8	176.1	169.2	4.1
Manufacturing	7.6	7.3	4.1	16.6	16.2	2.5	60.7	58.3	4.1
Durable goods	5.2	5.0	4.0	10.5	10.0	5.0	37.9	36.2	4.7
Nondurable goods	2.5	2.4	4.2	6.1	6.2	−1.6	22.8	22.1	3.2
Nonmanufacturing	47.4	45.6	3.9	36.4	33.9	7.4	115.4	110.9	4.1
Ave. wkly. hours worked by production workers									
Manufacturing	40.5	39.2	3.3	41.2	41.4	−0.5	42.6	42.6	0.0
Durable goods	41.3	40.4	2.2	42.2	42.3	−0.2	43.3	43.5	−0.5
Nondurable goods	37.5	37.1	1.1	39.5	40.0	−1.3	41.4	41.3	0.2
Industrial electric power sales index (1977 = 100)	128.9	117.5	9.7	98.8	85.8	15.2	123.4	115.2	7.1
Employment of Residents									
Employed, no. of persons (thous.)	58.7	56.3	4.3	58.0	54.7	6.0	207.6	199.0	4.3
Unemployed									
No. of persons (thous.)	3.2	3.3	−3.0	3.2	3.2	0.0	9.2	9.5	−3.2
Rate (percentage of labor force)	5.2	5.5		5.2	5.6		4.2	4.6	
Civilian labor force, no. of persons (thous.)	61.9	59.6	3.9	61.2	58.0	5.5	216.8	208.5	4.0

NOTE: All 1988 data are preliminary and are subject to revision.
All data are average of monthly figures.

The best news is found in the factory sector where signs of a turnaround continue to dominate. In rising 2.3 percent, factory jobs surpassed the 13,000-mark for the first time since 1982. Throughout Pennsylvania, manufacturing jobs rose 1 percent. Primary metals led the way with 300 new positions. Other positive signs are found in the increases in the average workweek and in electricity sales to industrial customers.

Despite this relatively strong showing, overall nonfarm job growth came in at just 1.8 percent. This does not compare too favorably with the 2.5 percent advance recorded Statewide. The culprit for this lackluster performance is found in nonmanufacturing. These industries increased employment 1.8 percent in 1988 whereas it rose 2.9 percent throughout Pennsylvania. Still, the 66,100 jobs in these establishments represent the highest reading since 1980. Statewide, these industries are employing record numbers. Construction seems to be doing its fair share. While jobs are holding steady, activity appears to be on the rise, as evidenced by solid increases in contract awards. The services industries accounted for 800 additional positions in 1988.

Similar trends are found with respect to resident employment growth. The 2 percent gain in the region falls short of the advance recorded in the Commonwealth. Nonetheless, at 87,500, the number of residents counted as employed represent the highest total since 1981. The jobless rate dropped 0.9 percentage point to 7.4 percent, the lowest reading in nearly 15 years. The long-run decline, however, is the result of a net decrease in the labor force. Employment is actually down compared to readings from the mid-1970s.

Still, the region's short-term improvement should not be minimized. This improvement is apparent in the growth in the labor force which tends to mirror overall economic conditions. After declining at a 1.8 percent annual rate over the 1983-1987 period, the bi-county labor force grew 1 percent in 1988. Additionally, 1989 is likely to bring with it further good news on the economic front. As has been the case in the past, however, it is unlikely that the region will be able to make up a significant portion of the ground lost earlier in the decade. The degree of improvement is again very much dependent upon the factory sector. Unfortunately, the slowdown in the improvement on the trade front may result in slightly slower growth in these industries.

Pittsburgh-Beaver Valley

Economic activity continued to expand in the five counties comprising the Pittsburgh-Beaver Valley metropolitan region in 1988. It appears that growth picked up a notch compared to recent years. However, the region continues to lag Statewide trends with respect to economic activity, though some narrowing of the gap may have occurred.

This year should result in a continuation of the recovery. Growth nationwide will result in further expansion in the local economy. At the same time, the consensus is that growth in the U.S. will slow a bit. Given the impacts of national trends on regional growth, much the same is expected in western Pennsylvania.

Resident employment rose for the fifth straight year in the Pittsburgh metro area and for the first time since 1979 in Beaver County. While the State maintains record levels of employment, the region is struggling to match pre-recessionary highs. In the Pittsburgh portion of the metro area, the jobless rate sank to its lowest reading on record dating back to 1975, 5.8 percent. In Beaver County, the rate settled at 8.7 percent, its lowest since 1981. However, in both situations the long-term drop in joblessness has been helped along by downward pressure on the labor force. Annual labor force declines averaging 1.2 percent in Pittsburgh and 5.5 percent in Beaver County were turned in over the 1983-1987 period before 1988's relatively small gains.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'88	*4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	903.2	103	104	103
Beaver County	57.9	68	68	66
Unemployed, no. of residents				
Pittsburgh[1]	47.1	81	82	97
Beaver County	4.7	76	83	92
Unemployment Rate, seas. adj.				
Pittsburgh[1]	5.4			
Beaver County	7.9			
Civilian labor force, no. of residents				
Pittsburgh[1]	950.4	102	102	102
Beaver County	62.6	68	69	68
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	877.0	100	99	99
Beaver County	52.5	69	68	67
Nonmfg. only, no. of jobs				
Pittsburgh[1]	751.9	114	113	113
Beaver County	43.4	114	112	108
Mfg. only, no. of jobs				
Pittsburgh[1]	125.1	57	57	57
Beaver County	9.1	25	24	26
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	42.5	n.a.	n.a.	n.a.
Beaver County	42.7	n.a.	n.a.	n.a.
Industrial electric power sales	***	66	66	65
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	558.1	+24		
Beaver County	23.8	+63		
Nonresidential contracts only				
Pittsburgh[1]	589.1	+ 4		
Beaver County	17.5	+ 7		

[1] Allegheny, Fayette, Washington and Westmoreland Counties

[2] Beaver County

A turnaround in the all-important manufacturing industries with respect to job growth in the Pittsburgh region in 1988 was welcome. In rising 1.2 percent, these industries increased the number on payroll for the first time since 1979. There were 125,100 jobs in these establishments. Encouraging performances were turned in by primary and fabricated metals establishments. Such good news is not found in Beaver County as manufacturing payrolls dropped by another 3.1 percent in 1988, the eighth decline in the past nine years.

Nonmanufacturing continued to provide the bulk of all new jobs as they employed record numbers. In absolute terms, the gains worked out to 12,100 new jobs in Pittsburgh and 1,200 in Beaver County. The big gainers are found in the service-producing categories. Service establishments added 10,900 in the Pittsburgh area and 600 in Beaver County. Retail trade added 1,300 in Pittsburgh but lost 100 jobs in Beaver County.

Growth in construction activity appears to be slowing. Although the value of contract awards for residential projects were up, preliminary estimates indicate that the number of housing units authorized by permit held steady at 5,700. Nonresidential contract values were up only minimally and preliminary estimates of the number of new nonresidential projects authorized by permit show only a slight rise.

The end result of these trends in the nonfarm sector was a 1.6 percent gain in establishment jobs in both the Pittsburgh and Beaver County portions of the region. While such a performance falls 0.9 percentage point below the Statewide advance, it is better than in previous years. During the 1983-1987 period, average annual job growth was 4.4 percentage points lower than in Pennsylvania in Beaver County and 1.6 points lower in Pittsburgh.

State College

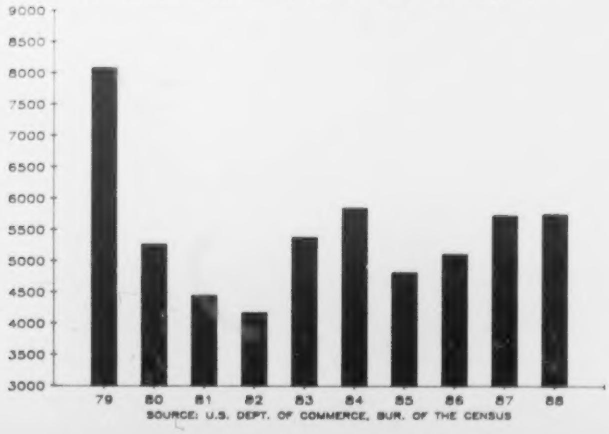
The news appears to be consistently good on just about all fronts with respect to trends in the Centre County economy in 1988. If anything, growth picked up a bit in the fourth quarter, easing fears of a slowdown which surfaced in the previous three months. Perhaps the lone question mark is the construction sector, especially on the residential side. However, even here, activity probably held steady as opposed to registering a significant decline.

A 3.9 percent job gain was registered for nonmanufacturing as a whole. This represents one of the strongest advances in the State and is well ahead of the 2.9 percent increase for the Commonwealth. The 47,400 positions maintained in these establishments last year represent another record high. The service sector, in adding 600 new jobs, along with a gain of 700 positions in State government, accounted for the bulk of the advance.

The 4.1 percent gain in manufacturing jobs was even larger than in nonmanufacturing. However, given the relatively small number of workers in these establishments, 7,600, this works out to an absolute gain of only 300. Nonetheless, given the problems facing these industries in recent years, even the smallest of job gains is welcome. Measures of production trends such as hours worked and industrial power sales also turned in solid gains in 1988.

These trends resulted in continued improvement in the employment/unemployment picture. The 58,700 residents employed in the metro area translates into another record high. This total is up 4.3 percent from 1987 levels, well ahead of the 2.4 percent gain for Pennsylvania as a whole. The region's 5.2 percent unemployment rate, slightly higher than in the State, is kept relatively high by the strong gains in the labor force in response to the overall solid economy. Indeed, over the course of the 1983-1987 period, labor force growth averaged 2.3 percent per year, nearly four times the increase averaged Statewide. Last year's 3.9 percent gain was more than twice the Commonwealth's advance. Continued improvement in employment and unemployment, as well as in other indicators of the economy's health, is likely in 1989. Furthermore, it is highly probable that Centre County will continue to realize gains in excess of those recorded for Pennsylvania as a whole.

PITTSBURGH-BEAVER VALLEY METRO AREA
HOUSING UNITS AUTHORIZED BY PERMIT



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF THE CENSUS

Northwestern Quarter

Erie

Although problems still remain, economic conditions improved considerably in Erie County during 1988. For the first time in several years, the area turned in a performance which was essentially on par with the Commonwealth's. Healthy growth should continue, especially through the first half of 1989. Even if growth slows in the second half, as it is expected to do nationwide, it is doubtful that it will result in significant declines in activity.

At 2.2 percent, resident employment growth in 1988 was off only slightly from the State's 2.4 percent. Last year's 120,700 residents officially listed as employed represent a new record, eclipsing the old mark from 1979. Pennsylvania employment has stood at a record since 1985. However, the fourth quarter did bring with it a noticeable slowdown in employment growth with a year-over-year gain of 1,000. During the first three quarters, gains ranged from 2,000 to 4,800. As a result of this fairly strong showing, the jobless rate fell 1.1 percentage points to 6.1 percent, the lowest it has been since 1974. However, employment growth in the Erie metro area over that 14-year period has been only about one-half the gain recorded Statewide.

State College Area[1]

	Ave. mo. value *4 Q.'88*	Average monthly index seas. adj. (1977 = 100) *4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	61.0	143	141	137
Unemployed, no. of residents	3.1	112	121	124
Rate, seasonally adjusted	4.7			
Civilian labor force, no. of residents	64.1	141	139	136
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	57.7	138	134	131
Nonmfg. only, no. of jobs	50.0	142	137	134
Mfg. only, no. of jobs	7.7	121	118	115
Hrs. worked by production workers in mfg., *ave. weekly*	40.0	n.a.	n.a.	n.a.
Industrial electric power sales	***	135	130	122

Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd
Residential contracts only	66.5	+12
Nonresidential contracts only	56.8	+82

[1] Centre County

As has been the case for several years, the region's employment gains were fueled by the nonmanufacturing sector. All told, jobs in these industries rose from 75,700 in 1987 to 77,900 in 1988. This translates into a 2.9 percent gain, identical to that recorded Statewide. The gains were concentrated in the service industries where jobs rose by 1,700. Construction jobs rose by 200 for the year, but small increases in contract awards suggest that growth in real activity was probably minimal in 1989.

While these industries continued a string of satisfactory performances, factory job levels rose for only the third time this decade. While the 34,800 positions maintained in these establishments represent a gain of 300 over 1987, little was done to offset losses in earlier years. In 1979, the region maintained 44,700 factory positions. Declines elsewhere partially offset gains in the County's three largest manufacturing industries: machinery/transportation equipment (400), fabricated metals (300), and rubber/plastics (500). Solid gains in industrial power sales and in the average workweek also point to a firming in manufacturing's fortunes.

Despite these positive trends, total nonfarm job growth, at 2.1 percent in 1988, was still 0.4 percentage point less than in the State as a whole. This does, however, represent a slight improvement over the 1983-1987 period when the shortfall averaged 0.6 point per year.

Sharon

It has been pointed out that the Mercer County economy required renewed health in the factory sector for overall economic growth to move forward at a healthy pace. Such a development happened in 1988. After declining almost nonstop since 1979, manufacturing jobs rose by 1,000 last year. This translates into a 10.4 percent advance, leaving job levels at 10,600, the highest since 1984. All of the gain is accounted for by durable goods manufacturers. Statewide, a much smaller 1 percent gain was recorded. An 11 percent uptick in electricity sales to industry also reflects strength in the factory sector.

At the same time, nonmanufacturers increased payrolls at the fastest clip in more than a decade as jobs rose 4.9 percent. Only three of the 14 other metro areas realized larger gains. Four-fifths of the increase occurred in the service and retail trade industries as each rose to a record high. Construction jobs rose by 100 and contract awards were up considerably on the residential side. In the nonresidential category, the value of contract awards tumbled 73 percent.

As a result of these gains, the region recorded a 6.4 percent advance in total nonagricultural jobs, the strongest in the State. This left employment in these establishments at 43,000. This is still well below pre-recessionary readings. Hence, while the short-term news has been extremely positive, the long-term performance of the economy leaves a good deal to be desired.

A similar gain of 6.4 percent was turned in with respect to resident employment. This is more than double the increase Statewide. The 48,300 residents counted as employed falls below levels from the late 1970s and early 1980s. Nonetheless, 1988's strong showing reduced the jobless rate 1.6 percentage points to 5.1 percent. This is the largest drop among the State's 15 metro regions and the lowest the rate has been since 1970. This year should bring continued good news with respect to employment, unemployment, and overall economic conditions. The expected first-half strength nationwide in manufacturing should contribute to the health of these industries in Mercer County. However, it is quite likely that overall growth will slow a bit and 1988's strong showing will not be repeated to the same degree.

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'88	*4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	122.2	109	109	108
Unemployed, no. of residents	6.8	79	85	98
Rate, seasonally adjusted	5.7			
Civilian labor force, no. of residents	129.0	106	107	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	114.2	103	102	101
Nonmfg. only, no. of jobs	80.0	117	116	114
Mfg. only, no. of jobs	35.0	82	81	81
Hrs. worked by production workers in mfg., *ave. weekly*	43.6	105	104	103
Industrial electric power sales	***	120	115	115
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	66.9	+ 14		
Nonresidential contracts only	58.9	+ 4		

[1] Erie County

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'88	*4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	49.4	102	101	98
Unemployed, no. of residents	2.2	60	69	75
Rate, seasonally adjusted	4.7			
Civilian labor force, no. of residents	51.6	99	98	96
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	44.4	97	96	91
Nonmfg. only, no. of jobs	33.5	114	112	108
Mfg. only, no. of jobs	10.8	67	66	61
Hrs. worked by production workers in mfg., *ave. weekly*	43.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	120	117	106
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	17.8	+ 105		
Nonresidential contracts only	12.1	− 73		

[1] Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Last year marked a continuation of the economic recovery in the four counties of the Harrisburg-Lebanon-Carlisle metro region. However, growth slowed a bit and the area performed more in line with the State as a whole. Similar news is expected for 1989. The days when much of southeastern Pennsylvania outperformed the State as a whole by wide margins appear to be, at least temporarily, in the past.

The number of residents in the region officially counted as employed in 1988 rose 2.6 percent in cracking the 300,000-mark for the first time. This gain is in line with the increase recorded Statewide and is down from the 3.3 percent increase averaged over the 1983-1987 period. Partly as a result of continued employment strength, the jobless rate fell 0.1 percentage point to 4 percent, its lowest reading since record keeping began in 1975. The region appears to be approaching the "full-employment" zone, if it is not already there.

Strong economic conditions are typically reflected in healthy growth in the labor force. During the 1983-1987 period, labor force growth averaged 2.1 percent each year in the metro area. This is more than three times the increase averaged in Pennsylvania. Last year, the labor force grew 2.5 percent compared to 1.8 percent Statewide.

Local nonfarm establishments were home to 300,600 jobs in 1988, another new record. This is up 2.5 percent from 1987, identical to the Statewide gain. Job growth totaled 3.7 percent in 1987, providing further evidence that growth slowed in 1988.

Manufacturing continued to hold its own. A 10.4 percent increase in industrial power sales suggests that production activity was healthy. Jobs rose for the second straight year. At 52,600, they were up 1.2 percent from 1987. The gain was concentrated in durable goods industries. The two largest hard-goods industries, electronic equipment and primary and fabricated metals, turned in gains of 500 and 300, respectively. While trends over the past several years have reduced factory jobs by 11 percent from pre-recessionary readings, the region has not been as adversely impacted as the State as a whole where the decline has been more than twice as pronounced.

The news remains positive in nonmanufacturing where jobs rose 2.7 percent last year in reaching 247,900, a new record. A slowdown in growth is evident as the gain is down from a 3.8 percent advance in 1987. Services and retail trade, added 2,400 and 900 jobs, respectively, in 1988. Last year was the first time since 1978 that nonmanufacturing job growth was stronger in the Commonwealth (a 2.9 percent gain) than in the metro area.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 4 Q.'88	Average monthly index seas. adj. (1977 = 100) 4 Q.'88	3 Q.'88	4 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	306.8	122	122	121
Unemployed, no. of residents	11.8	83	88	86
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	318.6	120	120	119
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	302.4	123	122	121
Nonmfg. only, no. of jobs	250.9	130	129	127
Mfg. only, no. of jobs	52.8	96	97	97
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	88	90	94
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	250.7	+17		
Nonresidential contracts only	235.2	−20		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

Lancaster

Economic activity continued to grow at an above-average pace in Lancaster County during 1988. Additionally, while some indicators suggest that growth may have slowed slightly from the 1987 pace, Statewide norms were again surpassed. For example, over the 1983-1987 period, nonfarm job growth averaged 4 percent annually in the metropolitan area, nearly 2 percentage points greater than in Pennsylvania. In 1988, establishment job gains totaled 3.4 percent compared to 2.5 percent in the Commonwealth.

Nonmanufacturing continued a string of record-setting performances with respect to job growth. The 125,300 positions maintained in these establishments represent a gain of 5.4 percent over 1987. This is almost double the advance throughout the Commonwealth. The bulk of these job gains came in the service-producing industries where payrolls expanded by 5,500. Construction also made a contribution as jobs rose by 900. Although no hard data are yet available, increases in the value of contract awards suggest that real building activity held its own.

Factory jobs fell by 500 after two straight years of advances in settling at 59,500. All of the decline occurred on the nondurables side, especially in the food products and apparel industries. On a more positve note, the average factory workweek rose to its second highest reading on record. Also, industrial power sales, a proxy for production trends, remained on an upward track.

Lancaster County's jobless rate dropped for the sixth consecutive year. At 3.5 percent, it remained the lowest among the State's 15 metro areas and was down from 3.8 percent from the previous year. Last year's decline was fueled by a gain of 7,300 in the number of residents officially listed as employed. This gain helped absorb a net inflow into the labor force totaling 6,900 and reduced the volume of unemployment by 400.

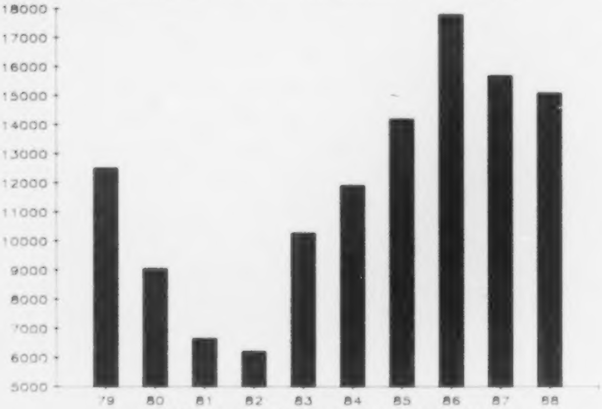
The 1989 outlook calls for a continuation of the current economic recovery which began in the early 1980s. At the same time, the region is expected to follow national trends and growth will slow a bit. It is quite unlikely that the growth

Lancaster Area[1]

	Ave. mo. value 4 Q.'88	Average monthly index seas. adj. (1977 = 100) 4 Q.'88	3 Q.'88	4 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	211.5	134	134	132
Unemployed, no. of residents	7.5	90	91	104
Rate, seasonally adjusted	3.5			
Civilian labor force, no. of residents	219.1	132	132	130
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	188.1	132	131	128
Nonmfg. only, no. of jobs	128.9	150	148	144
Mfg. only, no. of jobs	59.2	105	105	105
Hrs. worked by production workers in mfg., *ave. weekly*	41.5	103	102	102
Industrial electric power sales	***	138	141	139
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	275.9	+19		
Nonresidential contracts only	90.2	+6		

[1] Lancaster County

PHILADELPHIA METRO AREA (PA PORTION)
HOUSING UNITS AUTHORIZED BY PERMIT



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF THE CENSUS

rates recorded earlier in the recovery will be repeated anytime soon. Still, growth will remain positive and the region stands out as a top performer over the course of this recovery.

Philadelphia

Last year brought with it a continuation of economic recovery in the Philadelphia metropolitan area. However, if anything, growth slowed a bit from previous years. Still, the region's performance over the course of this recovery has been encouraging.

Expectations for the current year call for additional growth in the region. Still, a further reduction in growth is anticipated as the expansion slows a bit nationwide. A major factor influencing the performance of the region in 1989 is what happens in the factory sector. Several regions around the State have recently reversed the downward trend in jobs, if only temporarily. The Philadelphia metro area has yet to see such a bottoming-out.

Resident employment growth came in at 1.7 percent in 1988, well below the 2.4 percent Statewide gain as employment rose to a record high of 2.32 million. Employment has stood at record high readings almost nonstop throughout the recovery. As a result, the jobless rate dropped an additional 0.3 percentage point in 1988 to settle at 4.1 percent, its lowest reading since record keeping began in 1970.

The relatively strong performance of the region throughout much of the recovery is evident in trends related to the labor force which tends to move positively with the economy's health. Over the 1983-1987 period, the labor force grew at an average annual rate of 1.8 percent, three times that for the State. In 1988, growth came in at 1.4 percent, slightly below the Commonwealth's 1.8 percent advance.

Manufacturing has failed to contribute to the employment gains rung up during the past several years. In 1988, 1,900 additional jobs were lost for a 0.5 percent decline. The 372,700 jobs maintained in these establishments represent yet another all-time low. Last year's decline came despite a combined increase of 1,100 jobs in the region's two largest durable goods manufacturers, machinery and electronic equipment. There was also a combined gain of 1,000 jobs in the two largest nondurable goods industries, printing and publishing and chemicals. While jobs may have been down, production is probably holding its own based upon an increase in industrial power sales.

The news is better on the nonmanufacturing side but the 2.5 percent gain in jobs in these industries failed to live up to the Statewide norm of 2.9 percent. All told, there were a record high 1.82 million positions maintained in these establishments last year. As elsewhere, gains were concentrated in the service-producing sector. Finance-related industries added 700 jobs. Wholesale trade jobs were up 3,000 with an additional 8,700 coming in retail trade. The big gainer was again the services industries with 19,900 new jobs.

Construction jobs were up by 9,000 last year, but indicators of real activity send conflicing signals. The value of contract awards was up only slightly on the residential side but tumbled for nonresidential projects. Preliminary estimates of the number of residential units authorized by permit in the Pennsylvania portion of the region sank by a very slight 600 to stand at 15,100. The number of permit authorizations for new nonresidential projects rose by about 350.

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'88	*4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	2,328.7	122	124	123
Unemployed, no. of residents	89.5	56	56	60
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	2,418.2	117	118	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,217.9	120	120	119
Nonmfg. only, no. of jobs	1,845.0	132	132	130
Mfg. only, no. of jobs	371.6	83	83	84
Hrs. worked by production workers in mfg., *ave. weekly*	41.2	102	101	102
Industrial electric power sales	***	110	113	112
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	1,976.8	+ 4		
Nonresidential contracts only	1,782.1	− 28		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Reading

Unlike much of the rest of southeastern Pennsylvania, economic growth appeared to pick up a notch in Berks County in 1988. As a result, the overall picture looks to be one of the most encouraging in the Commonwealth as gains were recorded on practically every front.

These contentions are backed up by trends in nonfarm jobs. During the 1983-1987 period, establishment jobs rose by an average of 2.1 percent per year, identical to Statewide norms. During 1988, growth suged to 4.3 percent, the third highest among the State's 15 metro areas and 1.8 percentage points above the gain for all of Pennsylvania. In absolute terms, nonagricultural jobs rose by 6,400 to 153,700, another new record.

Both the factory and nonmanufacturing sectors contributed to job growth for only the second time this decade in 1988. On the factory side, jobs advanced by 1,200 or 2.5 percent. Trends in durable goods industries were especially impressive with the largest gain, 500, coming in primary metals. These job gains are especially encouraging alongside the 3.3 per-

Reading Area[1]

	Ave. mo. value 4 Q.'88	Average monthly index seas. adj. (1977 = 100) 4 Q.'88	3 Q.'88	4 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	173.3	126	126	122
Unemployed, no. of residents	6.8	92	82	99
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	180.1	124	123	120
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	158.3	118	117	113
Nonmfg. only, no. of jobs	108.1	132	130	125
Mfg. only, no. of jobs	50.2	97	96	95
Hrs. worked by production workers in mfg., *ave. weekly*	41.4	105	104	106
Industrial electric power sales	***	140	139	139
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	148.6	+29		
Nonresidential contracts only	77.4	+43		

[1] Berks County

York Area[1]

	Ave. mo. value 4 Q.'88	Average monthly index seas. adj. (1977 = 100) 4 Q.'88	3 Q.'88	4 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	210.5	136	135	132
Unemployed, no. of residents	8.9	98	93	100
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	219.4	133	132	130
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	180.1	126	124	121
Nonmfg. only, no. of jobs	118.5	143	140	137
Mfg. only, no. of jobs	61.6	102	102	100
Hrs. worked by production workers in mfg., *ave. weekly*	42.5	103	104	104
Industrial electric power sales	***	125	126	120
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	232.7	+44		
Nonresidential contracts only	140.2	+34		

[1] Adams and York Counties

cent gain in industrial power sales, a proxy for production trends. Despite this relatively encouraging performance, it did little to offset the losses from previous years as job levels remain well below pre-recessionary readings.

An even stronger 5 percent gain was realized on the nonmanufacturing side as jobs cracked the 100,000-mark for the first time ever. The region's two largest nonfarm industries, services and retail trade, added 2,000 and 600 jobs, respectively. Construction activity appears to have picked up according to trends in the value of contracts awarded. A 29 percent increase in awards was realized on the residential side while an even larger 43 percent advance came on the nonresidential side. Building-related jobs were up by 600.

These positive trends are reflected in continued improvement on the employment/unemployment front. Resident employment grew by 7,400 in totaling 169,100, a new record. This gain was strong enough to absorb a net inflow into the labor force of 6,700 and reduce the number of residents counted as unemployed by 700. The end result was a 0.6 percentage point reduction in the jobless rate as it fell to 4.3 percent. This is the lowest it has been in 14 years as only four other metro areas, all in the southeastern portion of the Commonwealth, had lower rates. More good news appears to be on the horizon as 1989 should result in continued improvement, though it is doubtful that 1988's strong showing will be repeated.

York

Just as it has for the past several years, economic conditions improved greatly in the Adams/York County region in 1988. As is the case throughout much of southeastern Pennsylvania, growth continued at a pace somewhat higher than in the State as a whole. Although it is quite likely that such a performance will continue in 1989, it is expected that regions in western Pennsylvania will narrow the gap with their eastern neighbors, but only by a slight amount.

The strength of the York metro area economy over the past several years is evident in trends in employment and unemployment. Resident employment grew 4.3 percent last year, nearly double the gain for Pennsylvania. All told, there were 207,600 residents officially listed as employed in the bi-county region, marking the fifth year in a row a new record has been set. As a result, the jobless rate continued on a downward path in falling 0.4 percentage point to 4.2 percent, the fourth lowest reading in the State. The 9,200 residents counted as unemployed represents the lowest total since 1978.

The superior performance of the region relative to the rest of the Commonwealth is evident in recent trends as they relate to the labor force. Labor force growth tends to move positively with the economy's health. Over the 1983-1987 period, growth averaged 1.6 percent in the metro area compared to 0.6 percent Statewide. During 1988, the labor force expanded by 4 percent in Adams and York Counties but by 1.8 percent in Pennsylvania.

The nonmanufacturing sector continues to provide the bulk of all new jobs in the region. During 1988, 4,500 new jobs were generated in these establishments for a 4.1 percent gain. These industries have added workers practically nonstop since the onset of recovery earlier in the decade. Construction jobs were up by 1,300 for the year. This, in conjunction with a solid showing with respect to the value of contract awards for both residential and nonresidential projects, suggests that activity may have strengthened a bit in 1988. The remaining new jobs were generated in the service-producing categories.

Perhaps the best news is found in the region's factories which were home to 4.1 percent more jobs in 1988 than in the previous year. Statewide, a much smaller 1 percent gain was realized. In absolute terms, this translates into 2,400 jobs as the number of positions totaled 60,700, the highest reading since 1981. Gains were realized in both the durable and nondurable goods categories. The average workweek remained at a record high which should help prop up job levels in 1989. Production appears to have more than held its own in light of the 7.1 percent advance in electricity sales to industry.

— William D. Anderson

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March 1989

NICE START FOR 1989

Initial indications show that **economic conditions remain healthy in the Commonwealth.** This falls in line with expectations spelled out in last month's *Pennsylvania Business Survey*. **The outlook continues to call for a strong first half of the year with a slowdown in growth thereafter.** The January uptick in the index of leading indicators (chart) was strong, suggesting that a slowdown before then is unlikely. This strong start is reflected in developments in job and employment trends. Manufacturing activity is holding up. Evidence of a slight moderation in growth is found in retail activity. Indicators of building activity also point to a slowdown.

The health of the manufacturing sector will again play a major role in determining the pace of economic growth in Pennsylvania during 1989. Data for January point to continued strength in the sector. The January decline in jobs was not as strong as normal. Historical trends show that factory jobs tend to fall by 11,000 in January for seasonal reasons. This pattern is not reflective of the overall health of these industries. This January, a much smaller decline of 5,000 was registered. Seasonally adjusted manufacturing job levels rose by 6,000, settling at 1,064,000. This leaves factory-related positions at their highest reading in three years after seasonal trends are discounted.

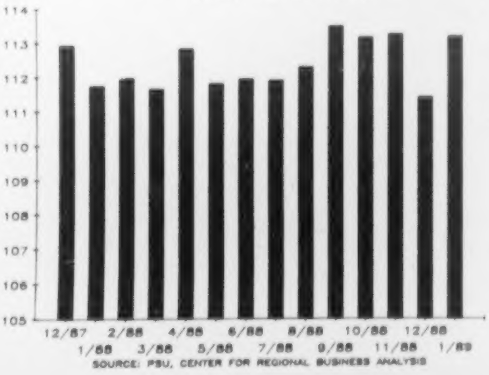
The average workweek is thought of as a leading indicator of hiring trends in manufacturing. The logic is that the workweek will rise with the onset of increased demand for manufactured goods. Only until producers are convinced of the "permanency" of the improved conditions will they step-up hiring. When conditions deteriorate, producers will decrease workweeks rather than immediately reduce the number of workers. The hypothesized relationship held prior to the onset of the current upward trend in manufacturing jobs (chart). The workweek rose throughout 1985 and 1986 while manufacturing jobs started on an upward track in 1987. **Recent trends show the average workweek leveling off. This may be a sign that hiring activity may slacken a bit, a major plank in our forecast spelled out in last month's *Survey*.**

Manufacturing production continues to hold its own as the Pennsylvania Manufacturing Activity Index hovers at post-recession highs. If our expectations pan out, the Index may be approaching its short-term peak.

Construction activity shows signs of weakening, but the dropoff from record levels of activity is not especially significant. At 2,436, the number of new housing units authorized by permit in January was down by 300 from a year ago. (Beginning with this issue of the *PBS*, housing permit authorizations will be reported on a monthly basis. In the past, the data have been to reported on a quarterly basis. This should allow us to present a more detailed overview of economic activity within the Commonwealth.)

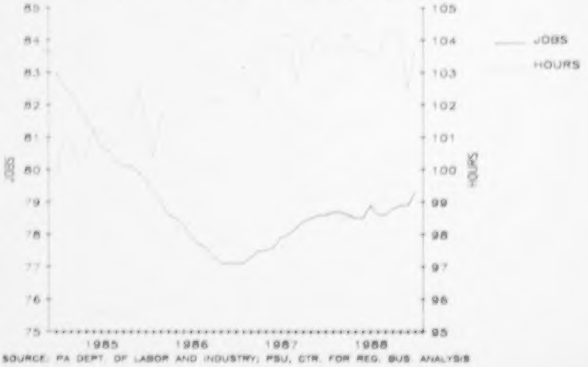
The 10.5 percent decline in authorizations between January 1988 and 1989 was not repeated in the majority of counties making up the Philadelphia and Pittsburgh/Beaver Valley metro areas (chart). All counties in the latter realized double-digit permit gains over the year ending in January. Only two of the five Pennsylvania counties in the former realized

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS (Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

PA MANUFACTURING JOBS AND THE AVERAGE FACTORY WORKWEEK (1977=100; seasonally adjusted)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

declines in authorizations. Delaware County tripled the number of permits from January 1988. (The counties in Pennsylvania's two largest regions have each of their permitting authorities surveyed each month which allows for monthly analyses. All other counties have only a portion sampled, making monthly analyses of their trends suspect.)

Despite signals suggesting that activity is slowing, building-related jobs continue to rise after seasonal trends are discounted. In that the typical January reduction in jobs was not as pronounced as expected, another seasonally adjusted record high total was recorded. The logic underlying the seasonal adjustment process is illustrated nicely in construction jobs (chart). Jobs rose throughout the spring and summer months of 1988 before tailing off considerably during the year's final quarter. The gains in the earlier months were stronger than normal, resulting in continuous gains in seasonally adjusted readings. The late-year declines were not as pronounced as usual, resulting in further gains in the adjusted series.

Retail sales continue to grow in Pennsylvania, but growth in 1988 was the slowest since the onset of economic recovery. Sales totaled $77.9 billion, a 7.3 percent gain over 1987. On a brighter note, growth exceeded the national advance for the fourth straight year. Jobs in retail establishments

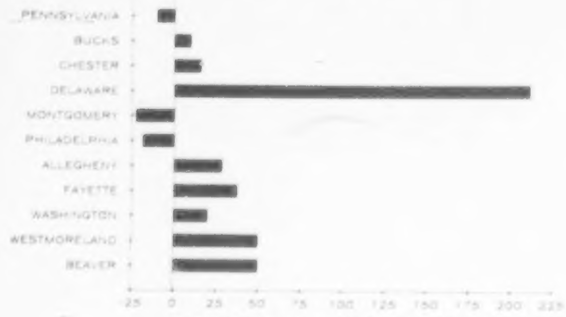
Economic Activity in Pennsylvania	UNADJUSTED DATA 1988-89 Dec.	UNADJUSTED DATA 1988-89 Jan.	UNADJUSTED DATA 1988 Jan.	SEASONALLY ADJUSTED DATA 1988-89 Dec.	SEASONALLY ADJUSTED DATA 1988-89 Jan.	SEASONALLY ADJUSTED DATA 1988 Jan.	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1988-89 Dec.	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1988-89 Jan.	SEASONALLY ADJUSTED INDEXES (1977 = 100) 1988 Jan.
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,108	4,994	4,893	5,071	5,085	4,983	111.1	111.4	109.1
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,047	3,939	3,846	4,013	4,021	3,928	124.5	124.7	121.8
Mining	29	28	29	29	29	30	60.4	59.8	62.7
Contract construction	235	212	196	238	239	222	129.3	129.7	120.9
Transportation	152	148	144	149	150	147	92.8	93.3	91.2
Public Utilities	104	104	105	104	104	105	103.3	103.2	104.2
Wholesale trade	273	270	265	272	273	267	122.8	122.9	120.5
Retail trade	912	871	858	883	887	874	123.2	123.6	121.9
Finance, insurance & real estate	293	292	289	294	295	291	135.0	135.4	134.0
Service & miscellaneous	1,345	1,325	1,274	1,348	1,350	1,298	156.3	156.5	150.5
Federal government	139	139	141	140	139	142	108.9	108.8	111.0
State & local government	566	551	545	557	559	552	95.5	95.9	94.8
Manufacturing									
No. of wage and salary jobs (thous.)	1,060	1,055	1,046	1,058	1,064	1,055	78.9	79.3	78.6
Durable goods	606	602	596	605	607	602	74.8	75.0	74.3
Nondurable goods	454	453	450	453	457	454	85.2	85.8	85.2
Ave. wkly. hrs. worked by prod. workers	41.1	40.9	40.9	40.5	41.0	41.0	102.5	103.7	103.7
Total wkly. person-hours worked (mils.)	30.0	29.7	29.1	29.5	30.1	29.5	77.0	78.5	76.9
Total wkly. payroll (mil. dols.)	313.7	310.2	295.9	306.9	313.6	299.3	136.6	139.6	133.2
Average hourly earnings (dollars)	10.47	10.43	10.16	10.40	10.41	10.14	177.8	177.9	173.3
Average weekly earnings (dollars)	430.32	426.59	415.95	420.36	426.38	415.81	181.7	184.3	179.7
Steel production (thous. tons)	1,058	1,185	1,110	n.a.	n.a.	n.a.	58.2	58.6	54.8
Industrial electric power sales (mil. kwh)	3,768	3,857	3,718	3,864	3,900	3,815	104.6	105.6	103.3
Mining									
Anthracite coal (thous. net tons)	258	233	215	252	301	279	51.5	61.6	57.2
Bituminous coal (thous. net tons)	6,436	6,044	5,760	7,470	6,020	6,057	105.9	85.4	85.9
Construction contracts awarded (mil. dols.)									
Total	666.3	550.0	545.9*	809.7	866.5	859.9*	251.7	269.3	267.3*
Residential building	318.6	298.5	252.8*	397.3	488.3	431.3*	282.3	347.0	306.4*
Nonresidential building	221.1	145.5	184.2*	270.6	199.5	257.1*	249.4	183.9	237.0*
Nonbuilding (utilities and public works)	126.6	106.1	108.9*	141.8	178.7	171.5*	195.6	246.6	236.6*
Housing units authorized by permit	3,402	2,436	2,722	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Retail Sales (mil. dols.)	8,273	n.a.	7,658†	6,990	n.a.	6,389†	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,562	5,592	5,388	5,563	5,679	5,483	115.8	118.2	114.1
Unemployed									
No. of persons (thous.)	244	292	357	270	259	327	67.3	64.6	81.4
Rate (percentage of labor force)	4.2	5.0	6.2						
Rate, seasonally adjusted				4.7	4.3	5.6			
Civilian labor force, no. of persons (thous.)	5,780	5,884	5,745	5,833	5,938	5,810	112.0	114.1	111.6
Initial claims for unemployment benefits	124,392	132,682	143,595	86,739	78,551	91,416	60.6	54.9	63.8

Consumer Prices, all items	Urban Indexes (1982-84 = 100) 1988-89 Dec.	Urban Indexes (1982-84 = 100) 1988-89 Jan.	Urban Indexes (1982-84 = 100) 1988 Jan.	Percentage Change Month Ago	Percentage Change Year Ago
U.S. city average	120.5	121.1	115.7	+0.5	+4.7
Philadelphia	125.6	125.7	119.3	+0.1	+5.4
Pittsburgh	116.7	n.a.	113.0†	n.a.	+3.3

[1] Total includes workers on strike. * = figure revised † = figure for December 1987 n.a. = data not available

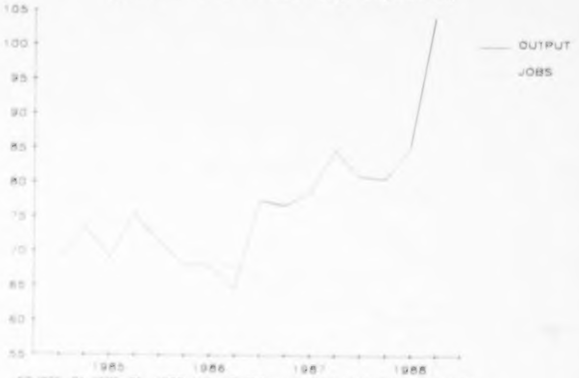
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

JAN. 1988-JAN. 1989 PERCENTAGE CHANGE IN HOUSING UNITS AUTHORIZED BY PERMIT
(PA, Phil. metro area counties, Pitt. metro area counties, Beaver County)



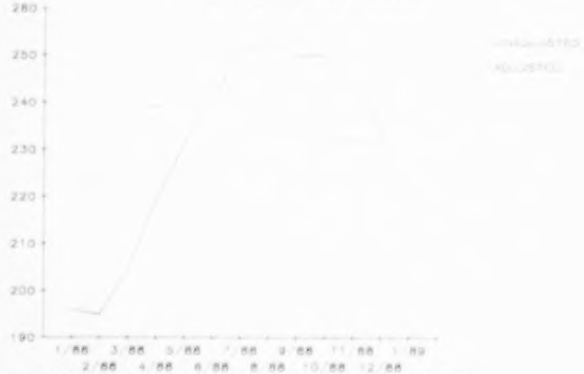
SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF THE CENSUS

PA BITUMINOUS COAL MINED AND MINING JOBS
(1977=100; seasonally adjusted)



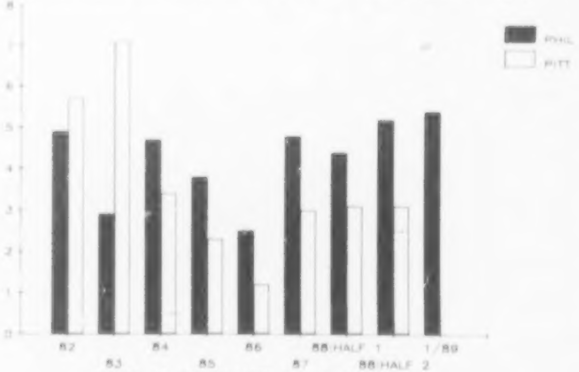
SOURCE: PA DEPT. OF LABOR AND INDUSTRY; U.S. DEPT. OF ENERGY; PSU, CRBA

UNADJUSTED AND SEASONALLY ADJUSTED PA CONSTRUCTION JOBS



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

PHILADELPHIA AND PITTSBURGH INFLATION RATES
(percent change in the CPI from a year ago)



SOURCE: U.S. DEPT. OF LABOR, BUR. OF LABOR STATS.

continue upward. At a seasonally adjusted 887,000, job readings rose by 4,000 from December as post-Christmas layoffs were probably either delayed or were not as large as usual.

The job picture remains dismal in the mining sector. Payroll positions are holding steady at all-time lows. At the same time, output of bituminous coal which makes up more than 90 percent of all coal mined in Pennsylvania, has been on an erratic upward path since 1987 (chart). **More bituminous coal is being produced with fewer workers** as efficiency-enhancment efforts appear to have been successful.

These and other trends in the nonmanufacturing sector resulted in additional job gains. Seasonally adjusted jobs rose from 4,013,000 in December to 4,021,000 in January. As in other areas, the cause for the strong performance after discounting seasonal pressures was the unusually small deteriorations in conditions during the month. **January's nonmanufacturing job totals represent yet another record high.**

January's mostly positive developments were reflected in substantial improvement on the employment/unemployment front. At a seasonally adjusted 4.3 percent, the jobless rate was down 0.4 percentage point from December and 1.3 points from a year ago. This represents a continuation of recent improvements and leaves this measure of the economy's health at a 15-year low. Paving the way for January's drop in the unemployment rate was another increase in the number of Pennsylvanians officially listed as employed which cracked the seasonally adjusted 5,600,000-mark for the first time.

At the national level, much of the recent news has revolved around inflationary pressures. **Price pressures in Pennsylvania's largest metro area, Philadelphia, appear to be on the rise.** Inflation in the Philadelphia region is currently running at its strongest pace of the recovery (chart). After rising 4.4 percent in the first half of 1988, prices rose 5.2 percent in the second half on an annual basis. **Price gains have not been nearly as large in the Pittsburgh area.** Inflation rates of 3.1 percent were recorded in the first and second halves of 1988. Price gains were considerably stronger during the first year or two of the recovery in the region than they have been of late. (See the September *PBS* for a shorter-term overview of inflation trends in these two metropolitan areas.)

— William D. Anderson

Personal Income Report

Personal income growth picked up a notch in Pennsylvania during the third quarter of 1988. The advance, whether measured on a quarterly or annual basis, was among the strongest of the current economic recovery. This broad-based measure takes into account earnings, transfer payments, and dividends/interest/rent in calculating income estimates. For last year's third quarter, personal income totaled $196.3 billion in the Commonwealth. This represents a gain of 7.3 percent from the same period in 1987 and 2.3 percent from the previous quarter. Except for 1987's final quarter and 1988's first quarter, the annual advance has not been that large since 1981. The quarterly gain was also the third largest in seven years.

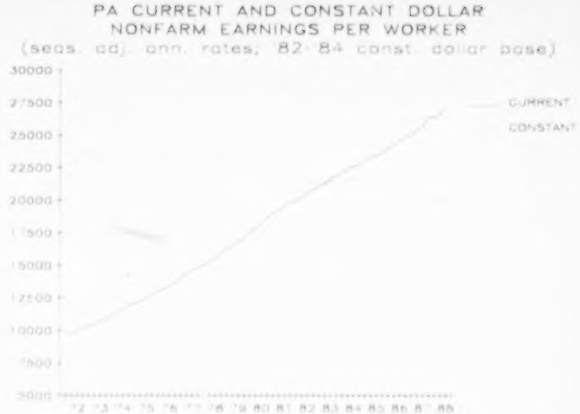
These trends provide additional evidence that 1988 was a particularly strong year for the Pennsylvania economy. A slight rebound in the manufacturing sector has been given some credit for the economy's recent turnaround. The 6.9 percent gain in earnings in the manufacturing sector during the first three quarters of 1988 represents the second strongest advance since 1981.

Positive trends dominate the picture when the focus is on recent developments. Long-term trends, however, suggest that the situation is far from rosey. Nonfarm earnings per worker in Pennsylvania have advanced 170 percent since 1972 in current dollars (chart). This increase has failed to match the gain in prices. Constant-dollar, or inflation-adjusted, average nonfarm earnings have actually declined slightly since the early 1970s. On the bright side, there has been some upward pressure on real nonfarm earnings since the onset of recovery in the early 1980s.

Pennsylvania personal income
(seas. adj. ann. rates; millions of dollars)

	Personal income	Pct. change Qt. ago	Pct. change Yr. ago	Nonfarm personal income	Pct. change Qt. ago	Pct. change Yr. ago
1988:IIIQ	196,300	2.3	7.3	195,069	2.2	7.3
1988:IIQ	191,967	1.4	6.9	190,884	1.4	7.1
1988 YTD	192,551	n.a.	7.3	191,423	n.a.	7.3

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis



SOURCE: U.S. DEPT. OF COMMERCE; PSU CTR. FOR REG. BUS. ANALYSIS

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April 1989

GOOD NEWS CONTINUES TO OUTWEIGH BAD

There appear to be few signs of any appreciable movement in the overall pace of economic activity in Pennsylvania based on information for February. This comes on the heels of several months of good news, leaving the economy on solid footing. **Recent hints of a slowdown in the national economy are perhaps a sign of things to come. The result may be a period of slower growth in Pennsylvania beginning during the next several months.**

Job trends in Pennsylvania's service industries are especially encouraging. February's above-average gains pushed job totals up by a seasonally adjusted 7,000 from January to another record. Through the first two months of 1989, service jobs have averaged 1,330,000. This represents a gain of 3.6 percent from year-ago readings. These industries have played a significant role throughout the course of the economy's current expansion. They have accounted for more than one-half of all new jobs generated since the onset of recovery in 1982/1983. Three industries account for the bulk of new service jobs during the recovery (chart): business services (84,500 new jobs through 1988), health services (70,300), and "other" services (45,700). The "other" component includes personal services.

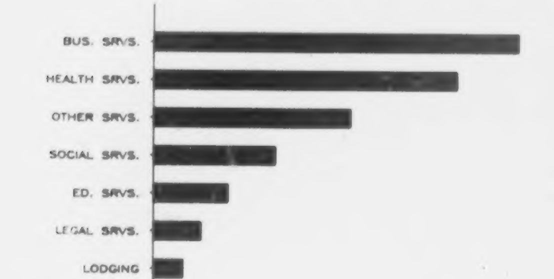
Elsewhere in nonmanufacturing, **construction jobs rose slightly in February after seasonal adjustment in settling at an all-time high of 239,000.** Through the first two months of the year, construction employment is up 7.7 percent over 1988. **Signs continue to emerge which suggest that residential activity is in the process of slowing. The number of new housing units authorized by permit is off 3.3 percent from a year ago so far in 1989** (table). All of the decline has occurred in the multi-family sector, though the gains on the single-family side have been minimal. The growth in Pennsylvania housing permits has been stronger than in the nation for the past several years. In that growth so far this year has been stronger in the U.S., trends merit monitoring in the future to determine if a reversal is at hand.

The number of permits issued for new nonresidential projects during the first two months of 1989 are up one-fifth from a year ago. A large decline in permit authorizations for stores and other mercantile buildings, one of the largest nonresidential categories, has occurred. Gains elsewhere, including a 54 percent advance for industrial buildings, have pushed total authorizations forward. (Beginning with this issue of the *Survey*, nonresidential permit authorizations will be reported monthly. Because of the lack of comparable historical data, seasonal adjustment techniques cannot currently be applied to the permit data on both the residential and nonresidential sides. Analyses will be limited to year-ago comparisons.)

For nonmanufacturing as a whole, the gain in jobs from 3,936,000 in January to 3,963,000 in February is about 20,000 more than anticipated based on historical trends. The result is another record high after adjusting for normal seasonal ups and downs. Besides the two industries discussed above, all other broad nonmanufacturing industries recorded seasonally adjusted job gains in February.

February was not as impressive as earlier months in terms of factory activity and jobs. The month's respite, however, did not detract much from previous gains. There was a seasonally adjusted decline of 2,000 jobs in these industries as employment fell to 1,062,000. During this year's first two months, manufacturing job levels have averaged 7,500 more than in the same period in 1988. There are few developments of special importance with respect to other indicators of the factory sector's health such as hours worked and average earnings. Manufacturing output, as measured

PA SERVICE INDUSTRY JOB GROWTH: 1982/1983-1988
(in thousands)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, BUR. OF RES. AND STATS.

1988-1989 YTD building permit growth: PA and U.S. (Jan./Feb. 1988–Jan./Feb. 1989 percent change)

	PA	U.S.
Housing units	– 3.3	7.7
Single-family	1.4	7.3
Multi-family	–23.9	8.4
Nonres. buildings	20.3	2.1
Industrial	53.6	8.1
Stores/mercantile	–28.5	–8.5

Source: U.S. Dept. of Commerce, Bur. of the Census by the Pennsylvania Manufacturing Activity Index, dipped in February but still remains above year-ago levels. For the first time in several months, some indicators at the national level are showing signs of weakness. If these signals prove to be correct, it is likely that activity will slow in Pennsylvania, though not to any significant degree.

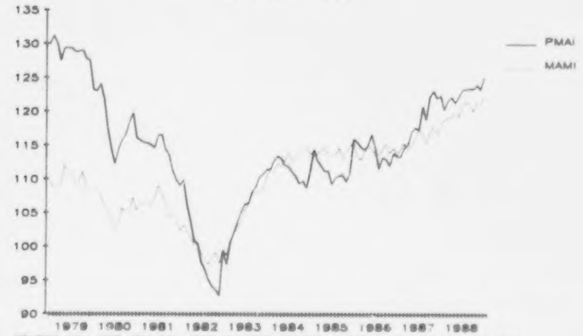
The Federal Reserve Bank of Philadelphia generates a manufacturing production index for a four-state area consisting of Delaware, New Jersey, New York, and Pennsylvania. Although they are not strictly comparable because of differences in construction methodologies, some insight is gained from a comparison of the PMAI and the Mid-Atlantic Manufacturing Index (chart). Since the onset of recovery in the early 1980s, these two measures have moved essentially in step with each other. At the least, a comparison of these two indicators suggests that manufacturing trends have been qualitatively similar in Pennsylvania and neighboring states. Both indicators have sensed a revival in manufacturing activity during the past two years. However, trends suggest that the turnaround may be a bit more pronounced in Pennsylvania than in neighboring states.

The resident employment/unemployment picture in February shows signs of stability. Both employment and the number of unemployed fell slightly. The jobless rate held

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	Jan.	*Feb.*	*Feb.*	*Jan.*	*Feb.*	*Feb.*	*Jan.*	*Feb.*	*Feb.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage a¼nd salary jobs (thous.)[1]	5,016*	4,991	4,926	5,082*	5,099	5,008	111.3*	111.7	109.7
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,936*	3,963	3,877	4,017*	4,037	3,952	124.6*	125.2	122.6
Mining	28	28	29	29	29	30	60.0*	60.2	62.1
Contract construction	212	209	195	239	239	225	129.7	130.0	122.4
Transportation	147*	148	145	149*	150	147	92.7*	93.1	91.4
Public Utilities	103*	104	105	104	104	105	102.9*	103.2	104.1
Wholesale trade	270	270	266	273	273	269	122.9	123.0	121.2
Retail trade	871	865	854	887	891	880	123.7*	124.2	122.7
Finance, insurance & real estate	292	293	289	295	296	292	135.6*	136.2	134.4
Service & miscellaneous	1,322*	1,339	1,295	1,347*	1,354	1,311	156.1*	157.0	151.9
Federal government	139	139	142	139	140	142	108.7*	108.9	110.9
State & local government	552*	570	559	559	564	553	95.9	96.8	94.8
Manufacturing									
No. of wage and salary jobs (thous.)	1,055	1,052	1,046	1,064	1,062	1,056	79.3	79.1	78.7
Durable goods	602	600	596	608*	607	603	75.0	74.9	74.4
Nondurable goods	453	452	450	457	455	453	85.8	85.6	85.2
Ave. wkly. hrs. worked by prod. workers	40.8*	40.6	40.7	40.9*	40.9	41.0	103.5*	103.6	103.7
Total wkly. person-hours worked (mils.)	29.7	29.4	29.1	30.0*	29.9	29.6	78.3*	77.9	77.1
Total wkly. payroll (mil. dols.)	309.9*	308.3	295.3	313.4*	313.6	300.1	139.5*	139.6	133.6
Average hourly earnings (dollars)	10.45	10.47	10.14	10.43	10.46	10.13	178.3*	178.8	173.1
Average weekly earnings (dollars)	426.36	425.08	412.70	426.36	428.51	415.98	184.3	185.2	179.8
Steel production (thous. tons)	1,183	1,088	1,065	n.a.	n.a.	n.a.	58.6	51.9	48.8
Industrial electric power sales (mil. kwh)	3,857	3,776	3,851	3,900	3,773	3,689	105.6	102.2	99.9
Mining									
Anthracite coal (thous. net tons)	233	234	268	301	301	327	61.6	61.6	66.9
Bituminous coal (thous. net tons)	6,044	6,066	5,649	6,020	6,208	5,529	85.4	88.0	78.4
Construction contracts awarded (mil. dols.)									
Total	550.0	525.1	573.7*	866.5	835.3	836.7*	269.3	259.6	260.1*
Residential building	298.5	231.5	277.2*	488.3	393.3	462.1*	347.0	279.4	328.3*
Nonresidential building	145.5	149.7	111.0*	199.5	222.5	158.7*	183.9	205.1	146.3*
Nonbuilding (utilities and public works)	106.1	143.8	141.0*	178.7	219.5	215.9*	246.6	302.9	297.9*
Housing units authorized by permit	2,436	2,710	3,026	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nonresidential bldgs. authorized by permit	866	904	863	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Retail Sales (mil. dols.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,592	5,533	5,337	5,679	5,665	5,475	118.2	117.9	113.9
Unemployed									
No. of persons (thous.)	292	281	335	259	254	306	64.6	63.3	76.3
Rate (percentage of labor force)	5.0	4.8	5.9						
Rate, seasonally adjusted				4.3	4.3	5.3			
Civilian labor force, no. of persons (thous.)	5,884	5,814	5,672	5,938	5,919	5,781	114.1	113.7	111.0
Initial claims for unemployment benefits	132,682	78,866	88,638	78,551	85,572	90,152	54.9	59.8	63.0

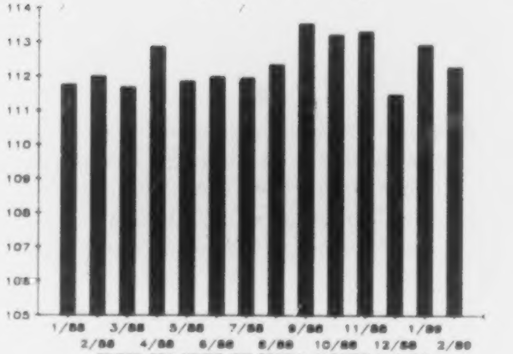
Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1989		1988	*Month*	*Year*
	Jan.	*Feb.*	*Feb.*	*Ago*	*Ago*
U.S. city average	121.1	121.6	116.0	+0.4	+4.8
Philadelphia	125.7	125.4	119.3	−0.2	+5.1
Pittsburgh	n.a.	117.9	113.3	n.a.	+4.1

[1] Total includes workers on strike. * = figure revised † = figure for January 1988 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.



THE PENNSYLVANIA MANUFACTURING ACTIVITY INDEX AND THE MID-ATLANTIC MANUFACTURING INDEX: A COMPARISON (1982=100)

SOURCE: PSU, CTR. FOR REG. BUS. ANALYSIS, FEDERAL RESERVE BANK OF PHILADELPHIA



PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS (Jan 1972=100)

SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

steady at a seasonally adjusted 4.3 percent. As a result, employment stands just below record highs while unemployment remains near a 15-year low. **Initial claims for unemployment benefits, a leading indicator of jobless trends, have advanced in four of the past five months. If this trend continues, some upward pressure on unemployment may be in the offing.**

The Pennsylvania index of leading indicators has not been able to string together several consecutive months of increases or decreases (chart). **It appears that the economy will neither boom nor bust in coming months. While the rapid growth rates of recent months are unlikely to be repeated, it is also unlikely that the economy is being set up for an especially hard fall. If activity declines later in 1989, it will probably drift slowly downward.**

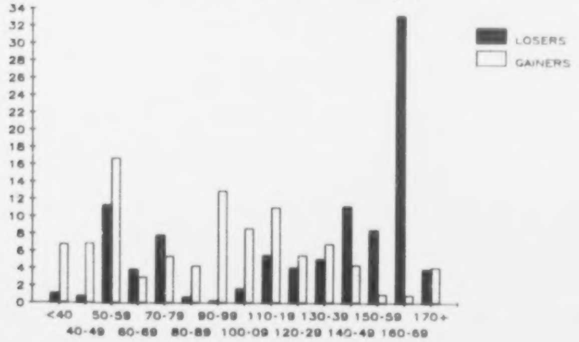
— *William D. Anderson*

A RESPONSE TO THE "GOOD JOBS/BAD JOBS" DEBATE: THE PENNSYLVANIA PERSPECTIVE

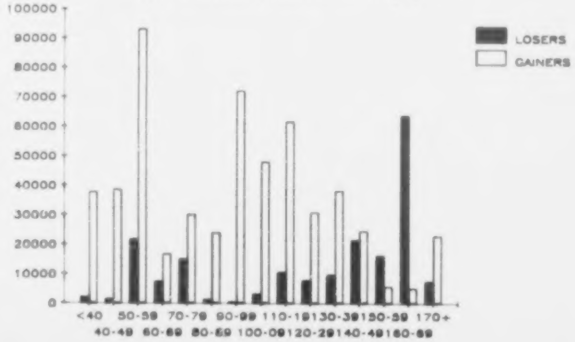
Much attention has been given to the structural changes which have taken place in the Pennsylvania economy in recent years. These changes have resulted in downward pressure on manufacturing job totals although 1988 saw jobs rise slightly to stand just above all-time lows. They have also helped push service-related jobs to record highs. There has been some concern with the associated "tradeoff" related to the wage structure in those industries losing jobs compared to those adding positions. Some will argue that we are losing "good" jobs offering relatively high wages and replacing them with "bad" jobs with less attractive wage packages.

Past issues of the *Pennsylvania Business Survey* have cautioned against such broad generalizations. Recent research conducted in Penn State's Center for Regional Business Analysis, housed in the College of Business Administration, suggests that such generalizations may be misleading. The typical job lost in Pennsylvania between the onset of recovery around 1982/1983 and 1987 occurred in industries with wages 30 percent above the economy-wide average. Such a result is not surprising given the difficulties which faced the high-paying goods-producing industries during that time. The typical job created in Pennsylvania during the period came in industries with wages about 7 percent below-normal.

While there is evidence of a wage tradeoff in recent labor market trends in Pennsylvania, the degree to which it exists is probably not as pronounced as many think. The evidence does not support the argument that the Commonwealth's economy is "deindustrializing" to any great extent and



PERCENTAGE OF GROSS JOB GAINS AND LOSSES BY WAGE PERCENTILES, 1982/1983-1987 (percentiles are wages expressed as a percent of economy-wide average)



GROSS JOB GAINS AND LOSSES BY WAGE PERCENTILES, 1982/1983-1987 (percentiles are wages expressed as a percent of economy-wide average) becoming too dependent on low-wage jobs. The tradeoff appears to be between those industries offering above-average wages and those with wages, at worst, which are slightly below-normal. Such a tradeoff is partly the result of the normal operation of labor markets.

Job losses have been relatively large in those industries with wages averaging 150-159 percent of the overall mean (chart). While the majority of jobs lost has occurred in industries offering relatively high wages, there is no similar clustering of job gains in those industries with wage packages at the lower-end of the scale. Although a large number of jobs has been added in industries with wages averaging 50-59 percent of economy-wide norms, a large number has also been created in industries offering wages at least on par with overall averages. The gross gains in jobs in those industries adding workers has offset the gross decline in jobs in those categories reducing payroll in all but two wage percentiles examined (chart). Job losses in industries with wages which have averaged 150-159 and 160-169 percent of the overall mean have more than offset the gains in industries with similar wages. In all other cases, including those industries with above-average wages (i.e., wages which have averaged 100-149 and 170+ percent of the economy-wide norm), job gains have been more pronounced than job losses in absolute terms.

At the least, these trends suggest that generalizations regarding the "good jobs/bad jobs" debate are suspect. This is especially true in light of the significant differences in the performances of individual sectors and industries. Industry-level data are required to arrive at adequate conclusions. The information highlighted above represents the Center for Regional Business Analysis' view of the issues surrounding the debate.

— *William D. Anderson*

(This is a summary of a paper of the same title authored by Mr. Anderson. The 39-page study examines the issues presented above in great detail. It also looks at the tradeoff issue as it relates to individual sectors and more than 250 industries. The paper represents the fourth installment of the Pennsylvania Economic Studies *series. It is currently available for $5 per copy by writing to: The Pennsylvania State University, College of Business Administration, Center for Regional Business Analysis, 108 Business Administration Building II, University Park, PA 16802. Please make check or money order payable to "The Pennsylvania State University.")*

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SIGNALS OF A SLOWDOWN?

Recent readings of the national economy's health suggest that activity may be in the process of slowing. Some attribute this to tight credit policies maintained by the Federal Reserve over the past several months. Interest-sensitive sectors such as housing and motor vehicles have slowed considerably. While the lack of adequate data precludes the identification of sectors where real activity is slowing in Pennsylvania, **several broad indicators have just begun to show their first signs of sluggishness.**

Still, perhaps **the most noteworthy development in March was one of the strongest employment/unemployment reports in recent memory.** Employment registered a gain of a seasonally adjusted 100,000 in settling at just under 5,800,000. This gain proved to be more than enough to absorb a substantial inflow into the labor force as unemployment fell by 20,000. The end result was a 3.9 percent jobless rate, seasonally adjusted. March's unemployment rate has been matched or bettered only three times since 1970.

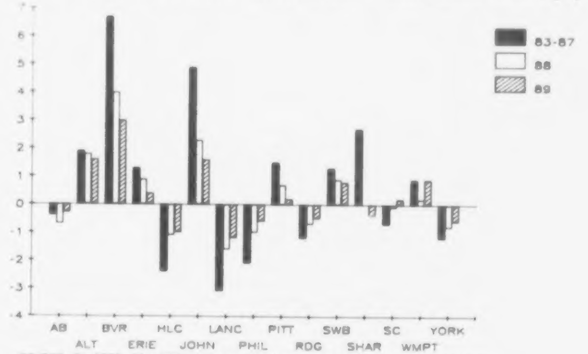
Over the past several months, it has been stressed several times in the *Pennsylvania Business Survey* that economic growth is becoming more evenly distributed across the several regions of Pennsylvania, though disparities still remain. Recent trends in the unemployment rate give credence to such a contention. Eight of the 15 metro areas in Pennsylvania had unemployment rates above the Statewide average during the 1983-1987 period (chart). Differences ranged anywhere from 6.7 percentage points above-average in Beaver County to 0.9 point above in Williamsport. In six of those cases, the degree to which jobless rates exceeded Statewide averages lessened in both 1988 and 1989:IQ. In one case, the rate fell below-average in this year's first quarter. Much the same is true for six of the seven areas which maintained jobless rates below-average in the 1983-1987 period. The difference between the jobless rates in these regions and the Statewide reading lessened in both 1988 and 1989:IQ in five regions. In another, the rate rose above-average during this year's first three months.

Much of the good news stops with the *Current Population Survey* (resident labor force, employment, and unemployment) data. Another widely followed measure of employment trends, nonagricultural job totals, fell slightly from February readings. Many analysts feel that this information presents a more reliable, less volatile, and more statistically sound picture of the employment situation than do the *CPS* data. **While the warm-weather run-up in nonfarm job levels did occur in March, it was not as pronounced as usual. The end result was a seasonally adjusted decline of 4,000 from the previous month, to 5,096,000.**

The dichotomy between trends evident in the employment data vs. those found in the nonagricultural job data is also evident in each of Pennsylvania's 15 metropolitan areas (chart). In all cases, the growth in resident employment between the first quarters of 1988 and 1989 outpaced the gain in nonfarm jobs. Differences ranged from 1.9 percentage points in Philadelphia to 3.2 points in Beaver County.

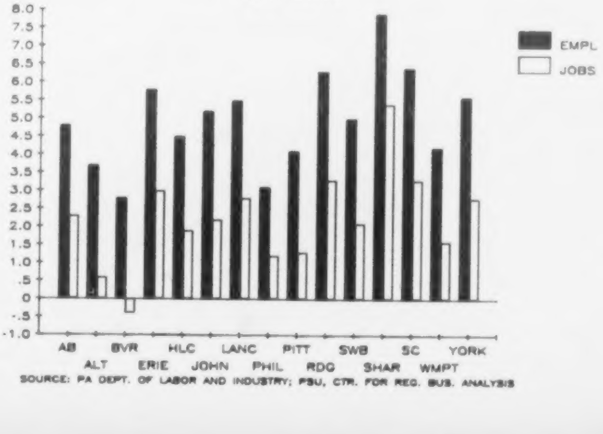
For once, **there was fairly widespread weakness in the nonmanufacturing job data for the month of March in Pennsylvania.** Although job levels as a whole were unchanged from February readings after seasonal adjustment, **seven of the ten broad industry groups show job losses.**

PA METRO AREA UNEMPLOYMENT RATES vs.
THE STATEWIDE AVERAGE
(pct. point difference; metro area - Statewide average)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

PA METRO AREA EMPLOYMENT GROWTH vs.
NONAGRICULTURAL JOB GROWTH: 1988-1989 YTD
(percent)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

Of the three others, only the service category generated an appreciable amount of new jobs during the month. March's weakness did very little to counteract the rash of good news in these industries over the course of the past several years. As a result, job levels in most industries stand at or just below all-time highs. For the sector as a whole, the 4,038,000 jobs maintained in March equals the previous month's record.

Now that the first quarter is complete, it is possible to take stock of how the economy is holding up in 1989 relative to previous years. **First quarter growth in nonmanufacturing jobs came in at 2.2 percent on an annual basis. This is down from the 2.8 percent gain realized in 1988. It is also off from the 3 percent annual gain averaged over the 1983-1988 period.** These general trends mask a good deal of variability across industries (chart). While most industries did see growth slow a bit during the first quarter compared to the past several years, others, such as construction and State and local government, witnessed an increase in hiring activity. The strong showing on the part of the construction industry is a bit perplexing given trends in other indicators of activity. The number of housing units authorized for construction is off from year ago readings while the value of construction contracts is up only marginally on a year-to-date basis.

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	Feb.	*March*	*March*	*Feb.*	*March*	*March*	*Feb.*	*March*	*March*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage a¼nd salary jobs (thous.)[1]	5,017*	5,045	4,967	5,100*	5,096	5,018	111.7	111.6	109.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,964*	3,991	3,915	4,038*	4,038	3,962	125.3*	125.3	122.9
Mining	28	28	29	29	28	30	60.0*	58.7	61.7
Contract construction	209	216	204	239	237	226	130.2*	129.1	123.1
Transportation	147*	149	147	150	150	148	92.9*	93.1	91.8
Public Utilities	103*	103	105	104	103	105	102.9*	102.7	104.4
Wholesale trade	270	270	267	273	272	269	122.9*	122.6	121.4
Retail trade	866*	869	859	892*	889	880	124.3*	124.0	122.7
Finance, insurance & real estate	293	295	290	296	297	293	136.1*	136.7	134.5
Service & miscellaneous	1,340*	1,353	1,308	1,355*	1,363	1,318	157.1*	158.0	152.8
Federal government	139	138	142	139*	138	142	108.8*	107.9	110.5
State & local government	571*	571	565	564	561	554	96.8	96.2	95.1
Manufacturing									
No. of wage and salary jobs (thous.)	1,052	1,053	1,050	1,062	1,059	1,056	79.1	78.9	78.7
Durable goods	600	601	598	607	605	602	74.9	74.7	74.4
Nondurable goods	452	452	451	455	454	453	85.5*	85.3	85.2
Ave. wkly. hrs. worked by prod. workers	40.6	40.5	40.8	40.9	40.7	41.0	103.6	103.0	103.7
Total wkly. person-hours worked (mils.)	29.4	29.4	29.3	29.9*	29.6	29.5	77.8*	77.2	76.9
Total wkly. payroll (mil. dols.)	308.2*	308.9	296.7	313.6*	312.3	299.8	139.6	139.0	133.4
Average hourly earnings (dollars)	10.48	10.52	10.14	10.47	10.55	10.17	179.0*	180.4	173.8
Average weekly earnings (dollars)	425.49	426.06	413.71	428.92	429.06	416.14	185.4*	185.5	179.9
Steel production (thous. tons)	1,088	1,239	1,169	n.a.	n.a.	n.a.	51.9	50.8	47.7
Industrial electric power sales (mil. kwh)	3,776	3,890	3,832	3,773	3,844	3,774	102.2	104.1	102.2
Mining									
Anthracite coal (thous. net tons)	234	279	279	301	308	309	61.6	63.0	63.3
Bituminous coal (thous. net tons)	6,066	7,150	6,231	6,208	6,391	5,511	88.0	90.6	78.1
Construction contracts awarded (mil. dols.)									
Total	525.1	1,004.5	923.3*	835.3	904.0	809.4*	259.6	281.0	251.6*
Residential building	231.5	410.4	427.3*	393.3	347.0	362.2*	279.4	246.6	257.3*
Nonresidential building	149.7	390.5	307.1*	222.5	381.5	305.4*	205.1	351.7	281.5*
Nonbuilding (utilities and public works)	143.8	203.6	192.6*	219.5	175.5	141.8*	302.9	242.2	195.7*
Housing units authorized by permit	2,710	3,834	6,258	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nonresidential bldgs. authorized by permit	904	1,594	1,928	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Retail Sales (mil. dols.)	5,617	n.a.	5,644†	6,439	n.a.	6,466†	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,533	5,642	5,324	5,665	5,765	5,447	117.9	120.0	113.4
Unemployed									
No. of persons (thous.)	281	250	315	254	235	300	63.3	58.5	74.7
Rate (percentage of labor force)	4.8	4.2	5.6						
Rate, seasonally adjusted				4.3	3.9	5.2			
Civilian labor force, no. of persons (thous.)	5,814	5,892	5,639	5,919	6,000	5,747	113.7	115.2	110.4
Initial claims for unemployment benefits	78,866	79,091	77,033	85,572	92,093	88,917	59.8	64.3	62.1

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1989		1988	*Month*	*Year*
	Feb.	*March*	*March*	*Ago*	*Ago*
U.S. city average	121.6	122.3	116.5	+0.6	+5.0
Philadelphia	125.4	126.0	119.6	+0.5	+5.4
Pittsburgh	117.9	n.a.	113.3†	n.a.	+4.1

[1] Total includes workers on strike. * = figure revised † = figure for February 1988 n.a. = data not available

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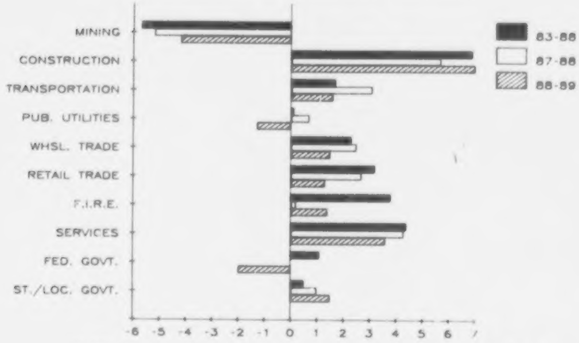
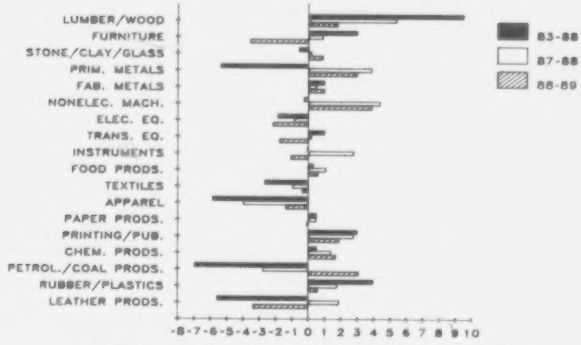

PA NONMANUFACTURING JOB GROWTH:
SOME HISTORICAL COMPARISONS
(ann. pct. rate in selected periods)

SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

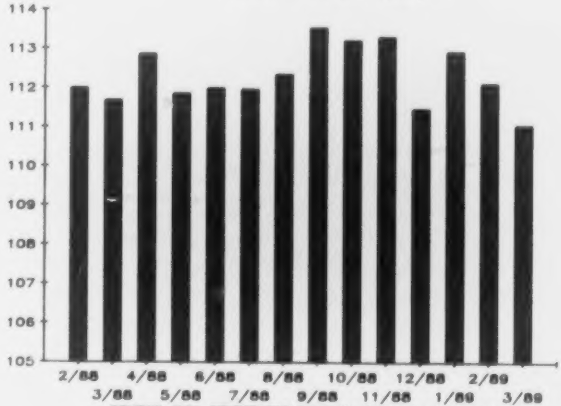

PA MANUFACTURING JOB GROWTH:
SOME HISTORICAL COMPARISONS
(ann. pct. rate in selected periods)

SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

After several months of good news, **some signs of weakness are also starting to appear with respect to factory jobs.** After adjusting for seasonality, manufacturing jobs dropped for the second consecutive month in March as they settled at 1,059,000. **For the first quarter, jobs were up 0.6 percent from a year ago. While this represents a fair amount of improvement over the 1983-1988 period, it is off slightly from the 1987-1988 gain.** As with nonmanufacturing, such a general overview hides diverse trends across industries (chart). Among Pennsylvania's largest manufacturers, the primary metals and nonelectrical machinery industries have improved upon earlier performances in recent months. Others, such as electronic equipment and transportation equipment have witnessed a slowing in job growth. On the nondurables side, jobs continue to be lost in textiles and apparel, but the rate of decline is lessening.

All in all, trends have varied of late in Pennsylvania, both with respect to prior months and across industries. In light of the slowdown in progress nationally and some questionable trends evident in recent Pennsylvania data, it may be concluded that some slowing in the pace of economic activity is imminent. Two consecutive months of decline in the Pennsylvania index of leading indicators (chart) also tend to back up such a contention. Additionally, the first bit of economic news for April shows that all of the improvement recorded on the resident employment/unemployment front in March was offset. However, as has been stressed several times in the past in the *Pennsylvania Business Survey*, a cautious approach is required in reading regional economic conditions, in part because of the relative lack of appropriate data. Although a slowdown between now and the end of 1989 would fit in well with the forecast spelled out in earlier issues of the Survey, it is best to wait and see how the next month or two plays out before any predictions can be made with a reasonable degree of confidence.

— William D. Anderson


PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)

SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

Announcing . . .

In October 1988, the Pennsylvania Manufacturing Activity Index was introduced in the *Pennsylvania Business Survey*. This indicator is designed to measure manufacturing output in Pennsylvania on a monthly basis. A recently completed 31-page study is currently available which describes the methodologies used to generate the PMAI. The study also examines the statistical reliability of the Index. Some exercises are also conducted which highlight new insights gained from the use of such a tool. This study represents the fifth installment of the *Pennsylvania Economic Studies* series. To receive a free copy, please write to: *The Pennsylvania State University, College of Business Administration, Center for Regional Business Analysis, 108 Business Administration Building II, University Park, PA 16802.*

Around the State

Northeastern Quarter

Allentown-Bethlehem

The economy continues to move forward in the Allentown-Bethlehem region but the rate of expansion is questionable. It is possible that the area is at a turning point and is shifting gears to a slower rate of growth. More definitive conclusions may be drawn after the economy heads into the typically strong spring and summer months. Despite some question marks, first quarter trends were encouraging, taken as a whole.

Trends on the resident employment and unemployment front remain impressive. Employment during this year's first three months was up 4.8 percent on an annual basis. This comes on the heels of a 2.7 percent advance over the 1987-1988 period. During the first several years of recovery, 1983-1988, employment growth averaged 2.4 percent. These trends are in line with those recorded Statewide. The 316,900 residents counted as employed in the first quarter represent another record high.

The region's unemployment rate has been below the average for Pennsylvania throughout the recovery. At a seasonally adjusted 3.9 percent, the region's jobless rate in the first quarter remained below the State's 4.2 percent. Labor force growth has picked up considerably during the past two years. This also suggests that overall economic growth has advanced of late.

Another employment-based measure of economic growth paints a somewhat different picture. At 2.3 percent on an annual basis, nonagricultural job growth in the first quarter was nearly identical to growth throughout the recovery. The inflow of residents into the region who maintain jobs outside of the metro area may account for some of the difference between growth rates in resident employment and nonfarm jobs. Resident employment data measure the number of the region's residents employed, regardless of the origin of employment. Nonagricultural job levels represent the number of jobs maintained within the region, regardless of the place of residence of job-holders.

Most new jobs continue to be generated in the region's nonmanufacturing establishments. The 199,600 nonmanufacturing jobs in this year's first quarter represent a gain of 5,700 from 1988:IQ and signal another new record after adjusting for normal seasonal ups and downs. These gains, however, come up short relative to those racked up in previous years. Building-related jobs are up from a year ago. The value of construction contract awards is down from a year ago, suggesting that building activity may be slowing. Manufacturing jobs averaged 77,500 during this year's first quarter, up 600 from a year ago. Jobs have fluctuated in the 77,000-78,500 range since the second half of 1986. This steady trend may represent a long-awaited bottoming out after several years of downward pressure on job levels. Though it was off slightly from previous readings, a relatively high average factory workweek and an increase in electricity sales to industry also suggest that manufacturing's fortunes have taken a turn for the better.

Allentown-Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	316.9	118	114	112
Unemployed, no. of residents	14.1	63	67	76
Rate, seasonally adjusted	3.9			
Civilian labor force, no. of residents	330.9	114	111	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	277.1	110	110	107
Nonmfg. only, no. of jobs	199.6	137	136	133
Mfg. only, no. of jobs	77.5	72	72	72
Hrs. worked by production workers in mfg., *ave. weekly*	39.4	104	105	104
Industrial electric power sales				
Metropolitan area	...	116	112	112
Allentown	...	99	98	98
Bethlehem	...	128	124	124
Easton	...	119	113	111
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	69.3	-15		
Nonresidential contracts only	29.0	-17		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre

The nonmanufacturing sector continues to fuel economic growth in the Scranton-Wilkes-Barre metropolitan area. There were 225,900 jobs in these industries during this year's first quarter, a gain of 4,900 from a year ago. After seasonal adjustment, this represents yet another record reading for the sector as a whole. On the negative side, first quarter's growth falls short of advances recorded earlier. Between 1983 and 1988, more than 37,000 new jobs were generated by this sector. As a result, its share of total nonfarm jobs rose from 72 to 76 percent.

Over the same five-year period, manufacturing jobs fell by 2,000. However, minimal gains have been recorded over the past several months. First quarter's 71,900 factory jobs translate into a gain of 1,300 from the same period in 1988. Should economic growth continue, manufacturing jobs should hold fairly steady. It is quite unlikely that these industries will generate significant numbers of new jobs in the foreseeable future, in part because of a continued emphasis on cost-cutting and productivity enhancements. Furthermore, the ability of the economy to continue to expand nonstop is questionable. Should a downturn occur, these industries will certainly suffer the consequences.

Despite continued job gains, construction activity may be in the process of slowing. The value of contract awards fell for nonresidential projects and rose only minimally on the residential side, probably the result of inflation rather than increased activity. Recent behavior in housing unit authorizations also points to some slowing.

The region's unemployment rate continues to make up ground relative to the Statewide average. After averaging 1.3 percentage points above-average during the 1983-1987 period, the jobless rate came in at 0.9 points above par in 1988. The 5 percent reading, seasonally adjusted, in this year's first quarter was 0.8 point higher than the Statewide average. These trends mask a good deal of variability across the region's counties. During this year's first quarter, unemployment rates ranged anywhere from 1.8 percentage points above the Pennsylvania average in Columbia County to 0.2 point below in Monroe County. Perhaps the best news in the first quarter is found on the resident employment front. The 342,900 residents officially listed as employed represent a gain of 5 percent from last year. This is quite impressive compared to the annual gain of 2.9 percent averaged over the 1983-1988 period.

First quarter developments in the metropolitan area proved to be encouraging. In most industry groups, the only cause

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 1 Q.'89	Average monthly index seas. adj. (1977 = 100) 1 Q.'89	4 Q.'88	1 Q.'88
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	342.9	124	120	118
Lackawanna County[2]	104.5	118	114	113
Luzerne County[3]	151.7	117	113	112
Unemployed, no. of residents				
Metropolitan area	20.5	59	66	73
Rate, seasonally adjusted	5.0			
Lackawanna County[2]	5.6	51	58	64
Luzerne County[3]	9.8	63	68	78
Civilian labor force, no. of residents				
Metropolitan area	363.4	117	114	113
Lackawanna County[2]	110.1	112	109	108
Luzerne County[3]	161.5	111	108	108
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	297.8	116	115	114
Nonmfg. only, no. of jobs	225.9	130	129	127
Mfg. only, no. of jobs	71.9	87	86	86
Hrs. worked by production workers in mfg., *ave. weekly*	38.6	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	113	113	112
Lackawanna County[2]	***	121	124	124
Luzerne County[3]	***	103	99	98
Hazleton	***	92	88	88
Wilkes-Barre	***	110	108	102
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	68.8	+ 7		
Nonresidential contracts only	25.5	−40		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

for concern appears to be a slowdown in growth in some cases, but certainly not an actual decline in activity. Nonetheless, it may be that this is the first sign of a somewhat more pronounced slowdown in the remainder of the year. Mounting evidence of a slowdown nationwide certainly raises the possibility of such a development in northeastern Pennsylvania.

Williamsport

Resident employment and unemployment trends shed the Lycoming County economy in a positive light during this year's first three months. A 4.2 percent gain from last year's first quarter pushed employment up to another record, 56,800, if seasonal trends are discounted. This represents an improvement over last year's 3.3 percent advance. First quarter's growth fell a bit short of the Statewide gain. In absolute terms, employment rose by 2,300 for the year ending with the first quarter. This was strong enough to absorb a gain in the labor force of similar magnitude and reduce the number of unemployed by 100. The result was a jobless rate of 6.3 percent, unadjusted, down 0.3 percentage point from a year ago.

Different results are obtained when looking at another broad measure of employment trends, nonagricultural job levels. This measure rose just 1.6 percent on an annual basis in the first quarter. Growth was off from that registered in 1988. The slowdown is attributable to a dropoff of 400 jobs from a year ago in durable goods manufacturing industries. All told, there were 16,000 factory-related jobs in Lycoming County in this year's first quarter. Approximately three consecutive years of steady gains in manufacturing jobs apparently came to a stop in the second half of last year. Still, the most recent reading was the second-highest first quarter total since 1980. Trends continue to be encouraging on the nonmanufacturing side as 1,400 jobs were added between the first quarters of 1988 and 1989. The 34,800 positions maintained in these establishments during this year's first three months translate into a record high after seasonal adjustment. Construction activity appears to be holding its own as solid gains in the value of contract awards were reported on both the residential and nonresidential sides in the first quarter. Growth in the number of new housing units authorized by permit also points to a growing residential construction sector.

Williamsport Area[1]

	Ave. mo. value 1 Q.'89	Average monthly index seas. adj. (1977 = 100) 1 Q.'89	4 Q.'88	1 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	56.8	124	120	120
Unemployed, no. of residents	3.8	69	70	71
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	60.7	120	115	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.8	112	111	111
Nonmfg. only, no. of jobs	34.8	125	123	120
Mfg. only, no. of jobs	16.0	92	92	96
Hrs. worked by production workers in mfg., *ave. weekly*	39.2	101	103	107
Industrial electric power sales	***	94	92	108
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	6.9	+64		
Nonresidential contracts only	6.0	+ +		

[1] Lycoming County

Taken as a whole, first quarter's batch of statistics illustrate an economy that continues to expand in Lycoming County. At the same time, early signs of a potential slowdown may be found in some trends. Clearly, the next few months will be of special importance in gauging the strength of the region's economy.

Southwestern Quarter

Altoona

While the positives outweigh the negatives, there were some mixed signals coming from the Blair County economy during the first three months of 1989. As a result, a slowdown later in the year cannot be ruled out. On the negative side, conditions in the manufacturing sector remain lackluster. On a seasonally adjusted basis, job levels have held steady during the past three quarters. Compared to a year ago, first quarter's 10,600 factory positions represent a drop of 500. A steady trend in electricity sales to industry suggests that activity is probably holding steady. Although down a bit in the first quarter, the average factory workweek remains near all-time highs. Taken as a whole, most indicators suggest that the region's manufacturers will struggle to maintain current employment levels.

Service-producing industries continue to propel the nonmanufacturing job situation forward, though even here, growth is off from averages earlier in the recovery. First quarter's 2 percent annual gain was enough to push job levels in this sector to 40,000, a record after seasonal adjustment. All of the gain is accounted for by the service-producing industries. In absolute terms, retail trade accounted for the largest job gain between the first quarters of 1988 and 1989 with 300 new positions. Construction appears to be holding its own based on trends in jobs, contract awards (despite a 29 percent fall on the residential side), and housing permit authorizations.

Improvement continues to be recorded with respect to the employment/unemployment picture. Partly as a result, the gap between Blair County's jobless rate and the Statewide average continues to narrow, though it still remains considerably above-average relative to the State. First quarter's 5.8 percent, seasonally adjusted, reading stood 1.6 percentage points higher than the Statewide norm. Resident employment growth, at 3.7 percent in the first quarter, was more than twice as strong as last year's advance and outpaced the average gain during the first several years of recovery. Although some slowing in the economy may be in the offing, solid growth over the past few years has resulted in a rather large inflow into the labor force after several years of rather stagnant growth in this measure of the economy's health.

Johnstown

The bi-county Johnstown metropolitan area economy continued to exhibit slow but steady improvement during this year's first quarter. Economic trends probably mirrored those Statewide, just as they have been doing for several consecutive quarters, with some measures improving on Statewide averages and some falling short of overall norms. The possibility of a slowdown cannot be ignored, especially in light of evidence of a slowdown in the national economy.

Trends on the resident employment/unemployment front were especially impressive during the first three months of 1989. At 5.2 percent, employment growth between the first quarters of 1988 and 1989 surpassed the 4.5 percent Statewide gain. It also represents considerable improvement over gains registered in previous years when the area was consistently outperformed by the State. Employment gains over the past several years have helped to push down joblessness in the region. First quarter's 5.8 percent seasonally adjusted unemployment rate compares quite favorably with the 7.4 percent average for 1988 and the 13.2 percent reading for the 1983-1987 time frame.

These trends may overestimate the true health of the employment picture in the region. Another measure of job trends, the number of positions in nonfarm establishments, suggests that growth was not nearly so strong in the first quarter. At 2.2 percent, the annual gain was less than one-half that for resident employment. This measure is viewed as more statistically reliable than the resident series by many analysts. Jobs continue to climb, albeit minimally, in the region's factories. At 13,500, manufacturing jobs were up by 200 from a year ago in the first quarter. After seasonal adjustment, they were up by 100 from last year's fourth quarter. The durable goods industries accounted for all new positions relative to a year ago. Upturns in the average factory workweek and in electricity sales to industry showed signs of topping out in the first quarter, implying that growth may be hard to come by in these industries as 1989 unfolds.

The only time that nonmanufacturing job levels have surpassed current readings occurred in the few years prior to the recessions of the early 1980s. The 65,300 positions maintained in these establishments during the first quarter translate into a gain of 1,500 jobs from a year ago. Trends in construction activity appear to be mixed. The value of nonresidential contract awards rose by three-fourths from a year ago in the most recent quarter. Residential awards were off by one-half and a small sample of permit-issuing authorities suggests that housing unit authorizations are slowing.

Pittsburgh-Beaver Valley

Despite concerns of a slowdown later in 1989, this year's first quarter brought with it further good news on the economic front in the five counties making up the Pittsburgh-Beaver Valley metro region. While problems remain, the good news of late has offset the bad. Given increased concerns with a possible slump in the nation's economy, there is added pressure to identify turning points in regional econ-

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	55.9	111	107	107
Unemployed, no. of residents	4.1	90	100	104
Rate, seasonally adjusted	5.8			
Civilian labor force, no. of residents	60.0	109	106	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.6	102	101	101
Nonmfg. only, no. of jobs	40.0	108	107	106
Mfg. only, no. of jobs	10.6	83	84	87
Hrs. worked by production workers in mfg., *ave. weekly*	40.0	106	107	107
Industrial electric power sales	***	76	78	77
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	2.5	−29		
Nonresidential contracts only	11.9	+70		

[1] Blair County

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	89.5	95	92	91
Unemployed, no. of residents	7.0	52	61	67
Rate, seasonally adjusted	5.8			
Civilian labor force, no. of residents	96.5	91	89	88
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	78.8	92	91	90
Nonmfg. only, no. of jobs	65.3	100	100	98
Mfg. only, no. of jobs	13.5	65	64	64
Hrs. worked by production workers in mfg., *ave. weekly*	39.8	102	102	102
Industrial electric power sales	***	172	186	177
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	7.2	−50		
Nonresidential contracts only	8.7	+78		

[1] Cambria and Somerset Counties

omies. While such a turning point has not yet been reached in western Pennsylvania, some signs of a possible slowdown have recently emerged.

Nonfarm job growth slowed in this year's first quarter in the Pittsburgh portion of the region. Compared to the same period in 1988, jobs rose 1.3 percent, down from a 1.8 percent advance in the previous year. In Beaver County, jobs continue to be lost, but the rate of decline was not as pronounced as in 1988. The 865,300 nonagricultural positions maintained in the Pittsburgh metro area represent the highest first quarter total since 1982. Beaver County's first quarter reading of 48,400 is the lowest on record dating back to 1975.

Nonmanufacturing job levels continued to move forward in settling at a record high in the four-county Pittsburgh region. In Beaver County, nonmanufacturing job totals in the first quarter were down slightly from the previous quarter after seasonal adjustment. Compared to a year ago, however, job totals were up by a very slight 100. In the much larger Pittsburgh region, jobs advanced by 9,600. Job growth in the first quarter did not match up well with the gains recorded elsewhere in Pennsylvania.

Indicators of residential construction activity were mixed. On the positive side, there were gains in the value of contracts awarded. Information on housing units authorized by permit show a reduction in activity from a year ago with declines in Allegheny and Fayette Counties more than offsetting gains elsewhere. On the nonresidential side, contract awards were up considerably in the Pittsburgh area but were down in Beaver County. Building-related jobs were down region-wide.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	923.9	109	105	105
Beaver County	55.3	66	64	64
Unemployed, no. of residents				
Pittsburgh[1]	49.9	68	80	94
Beaver County	4.8	67	76	92
Unemployment Rate, seas. adj				
Pittsburgh[1]	4.4			
Beaver County	7.2			
Civilian labor force, no. of residents				
Pittsburgh[1]	973.8	106	103	104
Beaver County	60.2	66	65	66
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	865.3	101	100	100
Beaver County	48.4	65	65	65
Nonmfg. only, no. of jobs				
Pittsburgh[1]	739.6	116	115	114
Beaver County	39.1	105	105	104
Mfg. only, no. of jobs				
Pittsburgh[1]	125.5	58	57	57
Beaver County	9.4	25	25	26
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	42.1	n.a.	n.a.	n.a.
Beaver County	43.7	n.a.	n.a.	n.a.
Industrial electric power sales	***	64	66	61
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	96.7	+10		
Beaver County	4.8	+30		
Nonresidential contracts only				
Pittsburgh[1]	191.8	+61		
Beaver County	2.7	−13		

[1] Allegheny, Fayette, Washington and Westmoreland Counties
[2] Beaver County

Both regions show signs of stability with respect to manufacturing jobs. While such a steady trend is welcome following several years of hardship, it nonetheless leaves job levels hovering at or near record lows. In Beaver County, factory jobs dropped by 200 from a year ago to settle at 9,400. In the remaining four counties, jobs rose by 1,400 to 125,500. Electricity sales to industry, a good proxy for industrial activity, appear to have topped out after a fairly strong rebound in recent quarters. On a more positive note, the average factory workweek remains quite high in historical terms which may act as a buffer against downward pressure on jobs.

Better news is found in trends as they relate to resident employment and unemployment. In the Pittsburgh region, seasonally adjusted employment finally surpassed previous records (comparable data go back to 1975). In Beaver County, employment rose to its highest level in three years. The gap between the region's unemployment rates and that maintained in the State has narrowed over the years. But a fair portion of the improvement is the result of a sluggish showing with respect to labor force growth rather than above-average gains in employment. Despite the improvement, the region still maintains higher jobless rates than in the State. While Pennsylvania had an unemployment rate of 4.2 percent, seasonally adjusted, in the first quarter, Beaver County came in with a 7.2 percent reading and Pittsburgh was home to a much-improved 4.4 percent rate.

State College

Economic activity continued to climb in this year's first quarter in Centre County at a pace which again exceeded Statewide norms. There were, however, some mixed signals which suggests that growth may be in the process of peaking and a slowdown may be on the horizon. However, no such signals are evident in recent employment/unemployment trends. Employment grew 6.4 percent between the first

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	61.3	148	143	140
Unemployed, no. of residents	3.0	106	110	119
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	64.4	146	141	138
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	56.3	139	138	135
Nonmfg. only, no. of jobs	48.3	142	140	138
Mfg. only, no. of jobs	7.9	122	122	120
Hrs. worked by production workers in mfg., *ave. weekly*	39.4	n.a.	n.a.	n.a.
Industrial electric power sales	***	129	135	125
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	15.7	+29		
Nonresidential contracts only	15.6	+43		

[1] Centre County

quarters of 1988 and 1989. This surpasses the Statewide gain and improves upon the region's performance over the past several years. Employment totaled 61,300 in the first three months of the year for a new record.

Despite this impressive showing, Centre County's jobless rate has exceeded the State's in recent months. For the first quarter, the rate came in at a seasonally adjusted 4.4 percent in the metro area compared to 4.2 percent Statewide. Throughout much of the recovery, the region has maintained a jobless rate lower than the Commonwealth's. It appears that the region's strong showing of late has resulted in large gains in the labor force which have prevented a further drop in unemployment.

General trends in nonfarm industries remain unchanged from previous readings: nonmanufacturing continues adding most new jobs while the factory sector has held its own. The retail trade and service industries continued to fuel growth in nonmanufacturing jobs in the first quarter. They realized job gains of 500 and 200, respectively, over year-ago readings. Nonmanufacturing jobs totaled 48,300, a new record after seasonal adjustment and up by 1,600 from 1988:IQ. Construction activity appears to be holding its own based on contract awards though it is unlikely that growth rates from earlier in the decade will be matched. In absolute terms, job gains in the manufacturing sector were much less pronounced than in nonmanufacturing, but they nonetheless represent a continuation of several months of steady improvement. The 7,900 positions in these industries during the first quarter represent a gain of 100 from a year ago. Comparable data are available back to 1975. After adjusting for normal seasonal ups and downs, first quarter's job total was surpassed only five times in the past. Total nonfarm jobs grew at a 3.3 percent annual rate in the first quarter, only about one-half the gain for resident employment. Additionally, this growth was a bit slower than in previous years.

Northwestern Quarter

Erie

Nonmanufacturing industries in Erie County continued employing record numbers in this year's first quarter. There were 78,800 nonfactory jobs in the region, up by 2,500 from a year ago. Trends in construction activity are somewhat difficult to call. The value of contract awards is up by one-third from a year ago on the residential side but down by 11 percent for nonresidential projects. After falling slightly in 1988, a small sample of permit-issuing authorities suggests that new housing units authorized rose in the first quarter. Building-related jobs rose by 100 compared to a year ago.

While the situation is not quite as encouraging on the manufacturing side, recent trends have been much improved compared to earlier years. The number of positions in manufacturing establishments has been on a slow climb since 1987. Still, job levels are only slightly above all-time lows. There were 35,800 wage and salary positions maintained in the first quarter in these industries, up by 900 from a year ago. Two-thirds of the new jobs came in durable goods industries. An especially strong showing was turned in by the nonelectrical machinery and transportation equipment category. There are, however, some signs of weakness. Both the average workweek and electricity sales to industry declined in the first quarter.

Erie Area[1]

	Ave. mo. value 1 Q.'89	Average monthly index seas. adj. (1977 = 100) 1 Q.'89	4 Q.'88	1 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	126.0	115	110	109
Unemployed, no. of residents	7.0	68	80	92
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	133.0	112	108	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	114.6	106	104	102
Nonmfg. only, no. of jobs	78.8	119	118	116
Mfg. only, no. of jobs	35.8	84	83	82
Hrs. worked by production workers in mfg., *ave. weekly*	42.3	103	105	104
Industrial electric power sales	***	114	120	115
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	17.6	+32		
Nonresidential contracts only	6.8	−11		

[1] Erie County

Trends in resident employment and unemployment were encouraging. Between the first quarters of 1988 and 1989, employment grew 5.8 percent. All told, the number of residents officially listed as employed totaled 126,000 in the first quarter, a new record after seasonal adjustment. Compared to a year ago, employment rose by 6,900. This was strong enough to absorb a net inflow of 4,600 into the labor force and reduce the number of unemployed by 2,300. The end result was a seasonally adjusted 4.6 percent jobless rate, the lowest reading since the early 1970s. The region has narrowed the gap between its unemployment rate and the State's considerably. The rate was 1.3 percentage points higher than the Commonwealth's over the 1983-1987 period, 0.9 point higher in 1988, and 0.4 point higher so far in 1989.

Much of the recent news has been positive. Trends show the region performing at least on par with the State, and probably a bit better. However, a close examination reveals some soft spots and raises the question of a possible slowdown in the future. It will take more than several months of strong performances to make up all of the ground lost compared to other regions earlier in the decade.

Sharon

Economic growth in Mercer County during the first quarter continued at a brisk pace. Growth appears to have picked up a bit with no clear signals of a slowdown in the near future. At 7.9 percent on an annual basis, resident employment growth was nearly twice as high as in Pennsylvania during this year's first three months. Employment totaled 49,200, the seventh highest quarterly reading on record, dating back to 1970, if seasonal trends are discounted. This strong showing helped lower the region's jobless rate to 3.8 percent, seasonally adjusted, down from 5.2 percent a year ago. While the area maintained an unemployment rate in excess of the Statewide average throughout much of the current economic recovery, it equalled the Commonwealth's average in 1988 and came in below-average in the first quarter of this year.

Trends were also encouraging on the nonagricultural jobs front. While growth was a bit slower than that for resident employment, it still was higher than in previous years. The factory sector continues to contribute to job growth. The 11,500 positions maintained in these industries represent the highest first quarter reading since 1982 and a gain of 9.5 percent (1,000) from a year ago. Statewide, the advance was 0.6 percent. Relatively high average workweeks and continued strength in electricity sales to industry also point to a healthy factory sector.

The nonmanufacturing sector has realized growth throughout the recovery, though it has been uneven. The 31,400 positions in these establishments during the first quarter represent a record high after seasonal adjustment. During the course of the year ending with the first quarter, the mining, finance, and government sectors held job levels steady. Transportation and public utilities, along with wholesale trade, added 100 jobs. Construction jobs rose by 200. The big gainers were the retail trade and service industries with 500 and 400 new jobs, respectively. While the region's 4 percent gain in jobs between the first quarters of 1988 and 1989 surpassed the State's 2.2 percent advance, average growth over the past several years has been relatively low in the region. Between 1983 and 1988, annual gains averaged 1.5 percent. Statewide, they averaged 3 percent. Besides the job gain, other indicators of construction activity, such as the value of contracts awarded, also suggest that activity remains fairly high.

Sharon Area[1]

	Ave. mo. value 1 Q.'89	Average monthly index seas. adj. (1977 = 100) 1 Q.'89	4 Q.'88	1 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	49.2	105	101	98
Unemployed, no. of residents	2.3	47	59	64
Rate, seasonally adjusted	3.8			
Civilian labor force, no. of residents	51.5	100	98	95
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	42.9	97	95	92
Nonmfg. only, no. of jobs	31.4	111	110	107
Mfg. only, no. of jobs	11.5	72	70	65
Hrs. worked by production workers in mfg., *ave. weekly*	42.3	n.a.	n.a.	n.a.
Industrial electric power sales	***	120	120	117
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	4.6	+119		
Nonresidential contracts only	3.1	+244		

[1] Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

The four-county Harrisburg-Lebanon-Carlisle metro area continued to move forward in this year's first quarter. Most indicators suggest that growth has been more in line with Statewide averages over the past several months. This comes after a period lasting several years when the area consistently outperformed the Commonwealth. Some measures of the economy's health suggest that growth eased a bit in the year's first three months. Others point to stronger growth. In light of this mixed picture, a slowdown over the next several months cannot be ruled out.

Nonmanufacturing continues to generate the bulk of all new jobs. A new record is set nearly every month. For the first quarter, the 247,600 positions maintained in these industries represent a gain of 5,600 from a year ago. After adjusting for seasonality, job levels have increased in every quarter since 1983. There are some signs that construction activity may be slowing, but again, signals are mixed. Despite a hefty increase in the value of residential contracts awarded, housing unit authorizations appear to be in a slight downtrend. The value of nonresidential awards was down in the first quarter from year ago readings as were the number of building-related jobs.

Manufacturing jobs continue to hold steady as they have stabilized in a narrow range for more than a year. At 51,900 in the first quarter, the number of jobs in these establishments was unchanged from a year ago. Statewide, there was a slight 0.6 percent advance. Losses on the nondurables side over the past year have more than offset gains in durable goods industries. Declines were realized across several industry lines, though the region's largest manufacturing category, food products, added 300 positions. Electricity sales to industry, a proxy for industrial production, have trended downward over the past year, though there was a slight uptick in the first quarter.

Continued strength in nonmanufacturing alongside a steady showing in the factory sector has allowed total nonagricultural jobs to continue to move forward. But growth in the first quarter did slow from the advances recorded in previous years. Over the 1983-1988 period, job growth averaged 2.9 percent in the region. During this year's first quarter, growth came in at 1.9 percent. For the past year, growth has been slightly below the Statewide average following several years of relatively strong gains.

Growth in resident employment has been a bit more impressive. The 313,300 residents officially counted as employed in the first quarter represent a record high, seasonally adjusted, and a 4.5 percent gain over a year ago. This is identical to the Statewide gain and represents an improve-

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 1 Q.'89	Average monthly index seas. adj. (1977 = 100) 1 Q.'89	4 Q.'88	1 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	313.3	127	123	122
Unemployed, no. of residents	11.9	67	82	82
Rate, seasonally adjusted	3.2			
Civilian labor force, no. of residents	325.2	124	120	119
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	299.5	123	122	121
Nonmfg. only, no. of jobs	247.6	131	130	128
Mfg. only, no. of jobs	51.9	96	95	96
Hrs. worked by production workers in mfg., *ave. weekly*	40.1	n.a.	n.a.	n.a.
Industrial electric power sales	***	90	88	96
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	83.7	+92		
Nonresidential contracts only	38.1	-12		

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

ment over previous years. At a seasonally adjusted 3.2 percent, first quarter's jobless rate came in a full percentage point below the Statewide average. Only one other metro region in the Commonwealth, Lancaster County, maintained a lower rate.

Lancaster

Employment and unemployment trends remained impressive in Lancaster County during the first quarter, reflecting continued strength in the overall economy. Throughout the course of the recovery, the metro area has been home to a jobless rate which has consistently been the lowest among the Commonwealth's 15 metropolitan regions. At a seasonally adjusted 3 percent during this year's first quarter, it was 1.2 percentage points below the State's average. One of the reasons for this impressive showing has been solid gains in employment. A 5.5 percent advance between the first quarters of 1988 and 1989 pushed employment to 215,600, another record after seasonal adjustment. Statewide, a 4.5 percent gain was realized. The strong employment picture in recent years has resulted in a relatively large uptrend in the labor force which has acted as a buffer against further reductions in joblessness. This has narrowed the gap between the region's unemployment rate and that maintained in the State.

Recent trends as they relate to nonagricultural jobs, though still positive, have not been as impressive. Annual growth in the first quarter was only about one-half of that for resident employment. Additionally, growth appears to have slowed a bit from previous years. Manufacturing jobs continued to hold fairly steady at readings just below all-time highs set prior to the onset of recession in the early 1980s. Since the first quarter of 1987, jobs have averaged no more than 60,300 in any quarter on a seasonally adjusted basis and no less than 59,800. First quarter job levels were off by 400 from a year ago. On the plus side, both the average workweek and industrial power sales remain quite high in historical terms.

Most new jobs generated over the past several years have come in the nonmanufacturing sector. The 126,000 positions in these industries during the first quarter translate into an all-time high, seasonally adjusted, and a gain of 6,000 over the past year. Construction has taken part in these gains as this industry added 600 new jobs over the period. This came despite an unimpressive showing as it relates to the value of contract awards. Service jobs grew by 2,500 since last year's first quarter while retail trade jobs jumped by 1,600.

Good news so far in 1989 has dominated. The only possible negative so far this year concerns a slowdown in growth in nonfarm jobs and a leveling off or slight decline in construction activity. These trends may persist throughout 1989. Hence, a reduction in activity is not expected, but somewhat more restrained growth may characterize the region over the next several months.

Philadelphia

Economic growth remains positive in the eight-county Philadelphia metropolitan area and is likely to continue so throughout 1989. However, trends through this year's first quarter also highlight some negative developments. Some measures of economic activity suggest that growth has already slowed in the region. Most indicators also suggest that growth has trailed advances recorded Statewide over the past year which represents a reversal from earlier years. So, while the short-term outlook does not call for an appreciable slump, it still leaves a good deal of room for improvement.

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	215.6	140	135	133
Unemployed, no. of residents	7.0	80	90	92
Rate, seasonally adjusted	3.0			
Civilian labor force, no. of residents	222.6	137	133	131
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	185.6	133	132	129
Nonmfg. only, no. of jobs	126.0	152	149	145
Mfg. only, no. of jobs	59.4	106	106	106
Hrs. worked by production workers in mfg., *ave. weekly*	40.4	102	102	102
Industrial electric power sales	...	143	138	138
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	55.3	+ 6		
Nonresidential contracts only	6.9	−74		

[1]Lancaster County

First quarter's best news is found in resident employment and unemployment developments. Employment remained at a record high and increased 3.1 percent from a year ago. This compares favorably with the 2.7 percent gain averaged over the course of the 1983-1988 period. However, it falls well short of the 4.5 percent gain averaged thoughout Pennsylvania. In absolute terms, employment rose by 71,000 between the first quarters of 1988 and 1989. This absorbed a net inflow into the labor force totaling 57,000 and reduced unemployment by 14,000.

The end result was a jobless rate of 3.6 percent, seasonally adjusted, compared to the State's 4.2 percent. Throughout the course of the current recovery, the metro area has maintained a lower unemployment rate than the Commonwealth. However, the gap was much more pronounced in earlier years, further evidence that Pennsylvania as a whole is catching up with the region.

Nonagricultural job levels have not grown nearly as fast as resident employment in recent months. In fact, first quarter's annual gain of 1.2 percent in the number of nonfarm jobs was less than one-half the resident employment advance. Furthermore, growth has slowed from earlier in the recovery. Here, too, growth has not fared too well relative to Pennsylvania in recent months.

After discounting normal seasonal ups and downs, manufacturing job levels have held fairly steady since mid-1988, bringing a halt to several years of downward pressure on job totals. Only time will tell if such a development will prove to be permanent or only a temporary cessation of job losses. Similar periods in the past proved to be only temporary respites. Compared to the first quarter of 1988, job levels were off by 5,400. Both the durable and nondurable goods industries lost jobs over the period. Printing and publishing, the region's largest manufacturing industry, lost 200 jobs. On the plus side, both industrial power sales and the average workweek remained quite high in historical terms during the first quarter.

Growth in nonmanufacturing jobs slowed considerably in the first quarter. At 1.7 percent, growth was only about one-half the gain averaged over the 1983-1988 period. Still, the increase was strong enough to push job readings to another record and the strong performance of these industries over the course of the past several years should not be ignored. Growth rates from earlier in the recovery simply could not be maintained indefinitely. The 1,807,000 nonfactory jobs maintained in the first quarter translate into a gain of 30,700 over the previous year. Construction contributed more than 3,000 of those new positions. Contract awards were little-changed from year-ago readings in the metro area. New housing units authorized by permit have declined by one-third so far in 1989 from the same period in 1988 in the Pennsylvania portion of the metro area. Each Pennsylvania county in the region recorded a decline, with the largest, 66 percent, occurring in Philadelphia County, and the smallest, 26 percent, in Bucks County.

Reading

First quarter trends suggest that economic growth remained healthy in the Reading metro area and may have even picked up a notch. At the least, there has been no noticeable dropoff in growth. The region's recent strength is evident in employment trends. The number of residents officially listed as employed rose 6.3 percent over 1988:IQ readings. Statewide, the advance was a much smaller, though still impressive, 4.5 percent. This gain allowed employment, which totaled 170,600, to remain at an all-time high. First quarter's gains were more than double those averaged throughout the first several years of recovery. As a result, the jobless rate dropped 0.9 percentage point from a year ago to 4.1 percent, unadjusted, the lowest first quarter reading since 1974.

Nonfarm job growth came to 3.3 percent between the first quarters of 1988 and 1989, considerably less than the resident employment gain. But while most other regions in Pennsylvania witnessed a decline in nonfarm job growth in the first quarter compared to previous years, it picked up a bit in Berks County. Nonmanufacturing job growth continues to be especially impressive. Jobs in these industries rose 4.1 percent on an annual basis during this year's first three months. In absolute terms, jobs rose by 4,000 from a year ago to 102,400, another new record after seasonal adjustment. The service and retail trade industries accounted for more than half of the gain. Building-related jobs rose, suggesting that construction activity remains brisk. An eight-fold increase in the value of contract awards for nonresidential projects suggest that activity on these types of projects was especially strong. Growth on the residential side was not nearly as robust.

Philadelphia Area[1]

	Ave. mo. value 1 Q.'89	Average monthly index seas. adj. (1977 = 100) 1 Q.'89	4 Q.'88	1 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	2,363.8	127	123	123
Unemployed, no. of residents	93.3	51	56	59
Rate, seasonally adjusted	3.6			
Civilian labor force, no. of residents	2,457.1	120	117	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,173.6	120	119	119
Nonmfg. only, no. of jobs	1,807.0	132	131	130
Mfg. only, no. of jobs	365.3	82	82	83
Hrs. worked by production workers in mfg., *ave. weekly*	40.3	102	102	102
Industrial electric power sales	***	113	110	110
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	422.8	−4		
Nonresidential contracts only	514.5	+9		

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

The factory sector has realized minimal job gains over the past few quarters. Compared to last year's first three months, job levels rose by 1,000 this year to 48,700. This was the highest first quarter reading in four years. Strength in electricity sales to industry and a relatively high average factory workweek suggest that manufacturing's health remained intact. Despite some rather encouraging trends of late, job levels still stand just slightly higher than all-time lows.

Positive trends are likely to continue to dominate in the region although a slowdown sometime in the next several months cannot be ruled out, especially given mounting evidence of a slowdown in the national economy. Additionally, it is quite possible that relatively tight labor markets could limit job and employment gains in the future. Whether or not the region is operating at the widely-talked about "full-employment" rate, not only numerically but with respect to the full utilization of the labor force's skills, is debatable.

York

Economic conditions in the York metro region continued strong in the first quarter. Once again, growth appears to have been consistently stronger than in the State as a whole. If a slowdown in the economy does occur anytime soon, it is likely that it will result in only a reduction in growth, perhaps to an average or slightly-below average pace. It is not too likely that growth will turn negative soon.

After registering a 2.8 percent gain (0.8 percentage point higher than in Pennsylvania), nonagricultural job levels moved forward to another record high, seasonally adjusted, in the first quarter. This performance, however, does represent a slight dropoff from average gains in earlier years. Fac-

Reading Area[1]

	Ave. mo. value 1 Q.'89	Average monthly index seas. adj. (1977 = 100) 1 Q.'89	4 Q.'88	1 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	170.6	128	124	120
Unemployed, no. of residents	7.2	75	88	90
Rate, seasonally adjusted	3.7			
Civilian labor force, no. of residents	177.8	124	122	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	151.1	116	115	112
Nonmfg. only, no. of jobs	102.4	129	128	124
Mfg. only, no. of jobs	48.7	96	95	94
Hrs. worked by production workers in mfg., *ave. weekly*	41.0	105	104	105
Industrial electric power sales	***	146	140	140
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	33.5	+ 5		
Nonresidential contracts only	21.7	+768		

[1]Berks County

tory job levels continue to climb upward, albeit slowly. In fact, current levels have only been surpassed once, during the late 1970s and early 1980s prior to the onset of recession. At 61,900 in the first quarter, job levels were up 1,100 from a year ago. Gains occurred in both the durables and nondurables industries. The region's largest manufacturing industry, nonelectrical machinery, added 400 new positions. Electricity sales to industry, a proxy for production trends, continued to move forward. On the negative side, the average workweek, a leading indicator of hiring trends, has been on the decline for the past several months.

Nonmanufacturing job levels continue on an upward path. They have risen nearly nonstop since the recovery began in 1982/1983. First quarter's 115,900 nonfactory positions represent another record high after seasonal adjustment and a gain of 3,700 from the same period in 1988. This works out to a 3.3 percent gain, quite a bit stronger than the State's 2.2 percent growth rate. Construction trends were mixed. Job levels were up by 400 on an annual basis. There were strong gains in new housing units authorized by permit in 1988, yet a small sample of permit-issuing authorities points to declines so far this year. Nonresidential contract awards were down more than one-half in value from a year ago while residential awards were up by one-fourth.

Unlike nonagricultural job growth, resident employment gains picked up a bit during this year's first quarter. Specifically, the annual growth rate, at 5.6 percent during this year's first three months, looks quite strong compared to the 3.5 percent gain averaged in earlier years. Statewide, growth came in at 4.5 percent this past quarter. Employment totaled 215,100 for a new record and an absolute increase of 11,400 from a year ago. This absorbed a fairly strong increase in the labor force and pushed down the unemployment rate from a seasonally adjusted 4.3 percent in last year's first quarter to 3.6 percent in 1989.

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	215.1	142	136	134
Unemployed, no. of residents	8.9	82	94	94
Rate, seasonally adjusted	3.6			
Civilian labor force, no. of residents	224.0	138	134	132
Local Industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	177.8	126	125	123
Nonmfg. only, no. of jobs	115.9	142	141	138
Mfg. only, no. of jobs	61.9	104	103	102
Hrs. worked by production workers in mfg., *ave. weekly*	41.8	102	103	104
Industrial electric power sales	***	127	125	120
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	51.1	+23		
Nonresidential contracts only	7.7	−53		

[1] Adams and York Counties

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QUESTIONS CONCERNING ECONOMY'S STRENGTH CONTINUE TO MOUNT

Signs which suggest that growth in Pennsylvania is slowing continue to dot the economic landscape based upon a complete set of information for April. Many believe that economic growth will slow just enough to allow for reductions in interest rates and inflationary pressures, but not enough to plunge the nation into a full-fledged recession. If such a "soft-landing" scenario does pan out, it is quite likely that growth will only slow in Pennsylvania, rather than turn negative. The recent forecasting performance of the economic community is far from perfect, however, so only time will tell if such a scenario does unfold. A "hard-landing" is not out of the question, yet some analysts are more optimistic and are calling for renewed strength in the nation's economy. **The path that the U.S. economy follows will go a long way towards determining Pennsylvania's fortunes.**

One of the major concerns of late at the national level revolves around the potential for a pick-up in inflation. **It is feared that continued strength in the factory sector will result in upward pressure on costs and prices. Such a development has yet to occur in Pennsylvania.** While hours worked in manufacturing establishments have advanced considerably since 1987, real wages have trended down (chart).

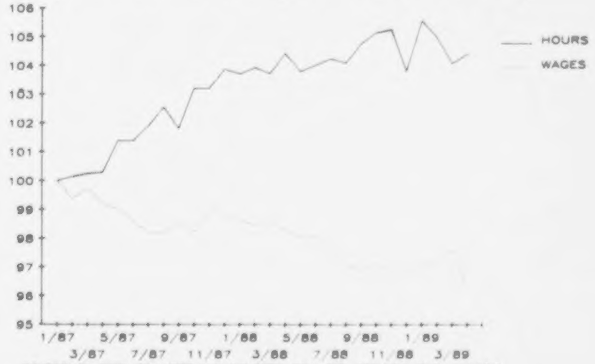
There are conflicting signals as they relate to manufacturing activity in Pennsylvania. **The Pennsylvania Manufacturing Activity Index appears to have settled into a pattern of slow, but erratic, growth** since 1987 (chart). **While factory output in Pennsylvania is barely moving forward, it continues to expand in the U.S.** (Caution is required in comparisons between the PMAI and the U.S. industrial production index for manufacturing as they are not strictly comparable. Still, it is safe to say that the Commonwealth is being outperformed by the U.S. in terms of this measure of the economy's health, though it is difficult to quantify the gap.)

At the same time, **downward pressure continues to be exerted on manufacturing jobs.** April marks the third consecutive month of decline if normal seasonal trends are discounted. Jobs dropped by a seasonally adjusted 3,000 from March readings. The 1,054,000 factory jobs in April do, however, represent a gain of 1,400 from a year ago. In January, job levels were up by 9,000 on an annual basis as gains shrunk to 5,800 in February and 3,300 in March.

Other indicators of manufacturing's health, such as steel output, hours worked, payrolls, and earnings, also point to a factory sector which is probably treading water rather than trending up or down. It is beginning to look as if, over the long-term, manufacturing jobs will fluctuate at just above 1,000,000 with little likelihood of appreciable gains or declines except during cyclical upturns and downturns.

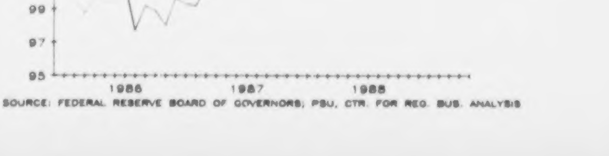
For the second month in a row, the job performance of the State's nonmanufacturing industries is somewhat

PRODUCTION HOURS WORKED AND HOURLY WAGES IN PENNSYLVANIA MANUFACTURING ESTABLISHMENTS
(Jan. 1987=100; wages in constant dollars)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

THE PMAI AND THE U.S. INDUSTRIAL PRODUCTION INDEX FOR MANUFACTURING: RECENT TRENDS
(1986=100)



SOURCE: FEDERAL RESERVE BOARD OF GOVERNORS; PSU, CTR. FOR REG. BUS. ANALYSIS

questionable. The gain of 47,000 jobs from March was a bit less than usual, resulting in a seasonally adjusted decline in April. Revised figures for March show minimal gains. In that job levels in these industries are quite volatile this time of the year because of seasonal fluctuations, it is best not to put too much emphasis on one month's numbers. However, at the least, April's showing on the heels of the March report suggests that job growth has slowed in these industries.

Of the ten nonfactory industries monitored in the *Pennsylvania Business Survey*, seven maintained fewer jobs during April than in March after seasonal adjustment. In another, payrolls held steady. One industry where a slowdown in job growth is evident is retail trade where growth averaged 3.2 percent between 1983 and 1988. So far this year, jobs are up only 1.2 percent compared to the first four months of 1988. **Retail sales growth has also slowed considerably this year** (chart). The 3.5 percent annual gain in this year's first quarter represents the slowest advance since 1982. **The construction industry continues to add workers, but indicators of activity, such as permit authorizations and contract awards, suggest a slowdown.**

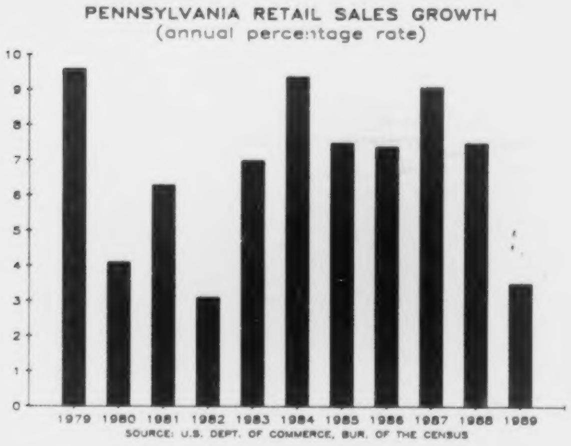
Despite this weakness of late, gains continue to be realiz-

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	Mar.	*Apr.*	*Apr.*	*Mar.*	*Apr.*	*Apr.*	*Mar.*	*Apr.*	*Apr.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,047*	5,096	5,022	5,098*	5,090	5,016	111.7*	111.5	109.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,993*	4,040	3,967	4,040*	4,034	3,962	125.3	125.2	122.9
Mining	28	28	29	28	28	29	58.7	58.1	60.8
Contract construction	216	231	220	238*	239	227	129.6*	129.9	123.5
Transportation	149	150	148	150	149	147	93.2*	92.5	91.2
Public Utilities	103	103	104	104*	104	105	102.8*	102.8	103.8
Wholesale trade	270	270	269	272	270	269	122.5*	121.9	121.4
Retail trade	871*	882	875	891*	887	881	124.3*	123.7	122.8
Finance, insurance & real estate	294*	296	291	297	297	292	136.6*	136.3	134.3
Service & miscellaneous	1,353	1,372	1,326	1,363	1,365	1,318	158.0	158.2	152.8
Federal government	138	138	141	138	138	141	107.9	107.3	109.7
State & local government	571	571	565	560*	558	553	96.1*	95.8	94.9
Manufacturing									
No. of wage and salary jobs (thous.)	1,053	1,054	1,053	1,059	1,056	1,054	78.9	78.7	78.6
Durable goods	601	601	602	605	601	602	74.7	74.2	74.3
Nondurable goods	452	453	450	454	455	453	85.3	85.5	85.1
Ave. wkly. hrs. worked by prod. workers	40.5	40.6	40.9	40.7	40.8	41.2	103.0	103.4	104.2
Total wkly. person-hours worked (mils.)	29.4	29.5	29.5	29.6	29.7	29.7	77.2	77.4	77.4
Total wkly. payroll (mil. dols.)	308.9	309.3	300.4	312.4*	311.8	302.8	139.0	138.8	134.8
Average hourly earnings (dollars)	10.52	10.49	10.19	10.55	10.49	10.19	180.4	179.3	174.2
Average weekly earnings (dollars)	426.06	425.89	416.77	429.06	429.32	420.16	185.5	185.6	181.6
Steel production (thous. tons)	1,239	1,120	1,262	n.a.	n.a.	n.a.	50.8	43.4	49.0
Industrial electric power sales (mil. kwh)	3,890	3,750	3,705	3,844	3,885	3,781	104.1	105.2	102.4
Mining									
Anthracite coal (thous. net tons)	279	270	265	308	309	297	63.0	63.4	60.7
Bituminous coal (thous. net tons)	7,150	5,886	5,471	6,391	5,889	5,419	90.6	83.5	76.8
Construction contracts awarded (mil. dols.)									
Total	1,004.5	893.3	918.0*	904.0	859.1	830.7*	281.0	267.0	258.2*
Residential building	410.4	453.0	394.5*	347.0	392.0	331.5*	246.6	278.5	235.6*
Nonresidential building	390.5	282.5	267.4*	381.5	339.7	297.0*	351.7	313.1	273.7*
Nonbuilding (utilities and public works)	203.6	157.8	263.1*	175.5	127.4	202.2*	242.2	175.8	278.9*
Housing units authorized by permit	3,834	5,156	6,194	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nonresidential bldgs. authorized by permit	1,594	2,639	2,463	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Retail Sales (mil. dols.)	6,734	n.a.	6,408†	6,623	n.a.	6,508†	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,642	5,606	5,419	5,765	5,669	5,483	120.0	118.0	114.1
Unemployed									
No. of persons (thous.)	250	234	261	235	263	288	58.5	65.6	71.8
Rate (percentage of labor force)	4.2	4.0	4.6						
Rate, seasonally adjusted				3.9	4.4	5.0			
Civilian labor force, no. of persons (thous.)	5,892	5,840	5,680	6,000	5,933	5,771	115.2	113.9	110.8
Initial claims for unemployment benefits	79,091	69,290	73,720	92,093	77,104	78,613	64.3	53.9	54.9

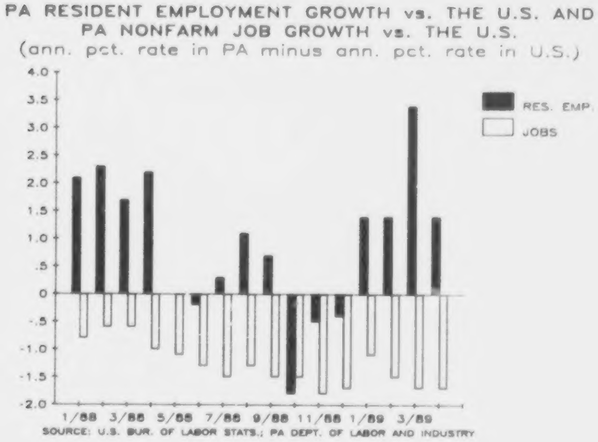
Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1989		1988	*Month*	*Year*
	Mar	*Apr.*	*Apr.*	*Ago*	*Ago*
U.S. city average	122.3	123.1	117.1	+0.7	+5.1
Philadelphia	126.0	126.7	120.0	+0.6	+5.6
Pittsburgh	n.a.	119.2	114.5	n.a.	+4.1

[1] Total includes workers on strike. * = figure revised † = figure for March 1989 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.


PENNSYLVANIA RETAIL SALES GROWTH
(annual percentage rate)

SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF THE CENSUS


PA RESIDENT EMPLOYMENT GROWTH vs. THE U.S. AND
PA NONFARM JOB GROWTH vs. THE U.S.
(ann. pct. rate in PA minus ann. pct. rate in U.S.)

SOURCE: U.S. BUR. OF LABOR STATS.; PA DEPT. OF LABOR AND INDUSTRY

ed compared to a year ago in the sector as a whole. Specifically, nonmanufacturing job levels are up by nearly 75,000 relative to April 1988. Again, this suggests that while growth may be slowing, it remains positive. This represents a trend that is likely to continue throughout 1989.

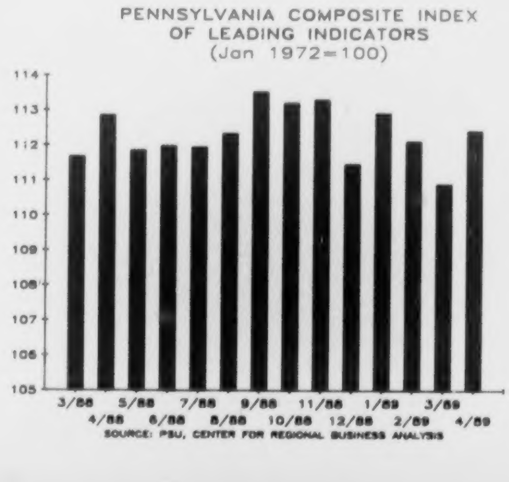
The weakness in the factory and nonfactory components of the economy resulted in a seasonally adjusted decline of 8,000 in the number of nonfarm positions in Pennsylvania establishments during April compared to March. (Again, this decline is the result of a less-than-expected gain in the unadjusted data.) This represents the second consecutive monthly falloff.

The April report on resident employment and unemployment was also far from impressive in the Commonwealth. Employment plunged by close to 100,000, erasing the gains racked up in March. Partly as a result, joblessness also moved upward. When all of the plusses and minuses of the past several months are averaged out, the results suggest that the employment/unemployment situation is holding fairly steady.

Conclusions concerning Pennsylvania's relative performance in terms of employment growth are somewhat hard to draw. Nonfarm job growth in the Commonwealth has trailed that for the U.S. in each month since 1988 (chart). Additionally, the gap appears to be widening. Over the past several months, there have been periods when the Commonwealth outperformed the nation with respect to resident employment growth and there have been periods when growth in the U.S. has been stronger. In recent months, gains in Pennsylvania have surpassed those for the nation as a whole. As has been pointed out in the past in the *PBS*, most view the nonagricultural establishment data as more reliable.

Taken as a whole, April's batch of statistics appear to be worrisome. However, it is still too early to modify our forecast of slow growth throughout the remainder of 1989. While the news could be better, a recession appears unlikely. In fact, the leading index of Pennsylvania economic conditions jumped forward by a strong 1.5 percentage points (chart), mostly because of a relatively large dropoff in initial claims for jobless benefits. Such a development is welcome in light of recent upward pressure on intitial claims which has historically been a leading indicator of unemployment trends.

Over time, the focus of the *Pennsylvania Business Survey* has been on current trends in the Commonwealth's economy and on the short-term outlook. Periodically, it is insightful, though somewhat risky, to take a longer-term view. One of the factors having an influence on the long-term economic potential of Pennsylvania is the quality of the labor force. While there are no all-encompassing measures of labor force quality and/or productivity available, several studies have used the educational status of the labor force as a measure of its quality and future potential. By some measures, Pennsylvania does not stack up too well in terms of educational attainment. While the percentage of the population 25 years old and older with at least four years of high school is quite similar to national averages, the Commonwealth lags considerably when the focus is on the attainment of a college education. Only four of the 15 large states surveyed by the U.S. Bureau of the Census maintained a smaller representation of college-educated persons as of 1987 (chart) than Pennsylvania's 17.2 percent. In the U.S. as a whole, 19.9 percent of the population had achieved such an educational standing. Such a pattern, should it hold into the future, could pose problems for the competitiveness of Pennsylvania's economy.


PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)

SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

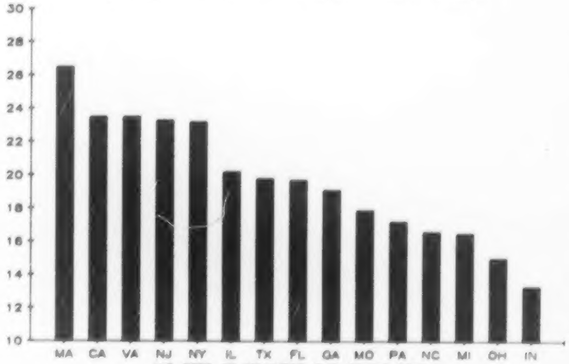
Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
August 1988	112.4	86.1	0.4	0.2
September	113.5	86.2	1.0	0.2
October	113.2	85.8	−0.3	−0.5
November	113.3	86.2	0.1	0.5
December	111.5	85.8	−1.6	−0.5
January 1989	112.9	87.3	1.3	1.7
February	112.1	86.9	−0.7	−0.5
March	110.9	87.0	−1.1	+0.1
April	112.4	86.1	+1.4	−1.0

On a brighter note, this 17.2 percent reading does represent improvement from earlier years. For instance, in 1980, only 13.6 percent of the population had attended college for at least four years.

— *William D. Anderson*

PERCENTAGE OF POPULATION WITH AT LEAST FOUR YEARS OF COLLEGE: 15 LARGE STATES
(25 years old and up; 1987 data)



U.S. DEPT. OF COMMERCE, BUR. OF THE CENSUS

THE U.S. ECONOMY — "STORM CLOUDS ON THE HORIZON . . . ?"

(Those involved in the publication of the Pennsylvania Business Survey *are constantly striving for consistency in reporting on economic conditions and trends as they relate to the Commonwealth. As a result, we often refer to several dominant or overriding themes which we use as a common denominator in our analyses. Several times in the past, we have highlighted the ties between the Pennsylvania and U.S. economies. In order to keep our readers updated on all factors having an impact on Statewide economic conditions, we feel that it is worthwhile to provide a thorough overview of U.S. economic trends on a periodic basis.*

We are pleased that Jack Malehorn, Chief Economist with United Telephone Company of Pennsylvania/New Jersey, has again agreed to provide us with his thoughts concerning U.S. economic conditions. The views expressed by Mr. Malehorn are his own and do not necessarily reflect those of The Pennsylvania State University or United Telephone Company of Pennsylvania/New Jersey.)

Analogous to a threatening weather system in the distance, warning signs have appeared concerning the fate of the current business expansion. The beginning of the seventh year of the expansion was launched in a robust fashion. Real growth, jobs, and production continue to show steady progress. Still, almost from the beginning of the year, the public has been inundated with reports concerning the eventual demise of the economy, the underlying weaknesses in the marketplace, and the perilous condition of credit markets.

Several reasons can be theorized for the negative reports. One reason could be that economics is generally known as the "dismal science." Economists are trained to keep a close eye on resource usage such as labor and production capacity. Consequently, growing evidence, especially in light of the duration of the current business cycle, of strained resource markets (from a historical perspective) supports a pessimistic assessment of the economy.

At the heart of the matter, when analyzing the economy, is the necessary separation of fact from fiction. Careful examination of current evidence would tend to test/question many of the popular misgivings surrounding the direction of the economy. The crux of the problem concerns an awareness of the structural underpinnings of the economy. For the most part, the economic foundations of the expansion continue on solid footing. However, perception has been clouded by an underlying shift in the composition of the economy. In short, a clear dichotomy has surfaced between the real sector (the production of goods and services) and the financial sector. While, in an accounting sense, the two distinct sectors must equate, they do have very different structures which at times tend to point in opposite directions.

Suffice it to say that decision-makers on the financial side of the house are buffeted by ever-changing winds. Movements in the value of the dollar, a hint of a shift in direction emanating from the Fed, and changes in interest rates which affect a re-evaluation of asset values and portfolio composition, all tend to promote a very short-run mode of thinking. Surely, financial market volatility has increased and will continue to do so during the year. In essence, advanced management practices foster seemingly knee-jerk reactions to changing conditions as decision algorithms are re-estimated on a daily, sometimes hourly, basis.

The real sector continues to display positive, albeit slower, gains. Job creation continues at a steady pace, production advances have been recorded, and sales reports are positive. Quite naturally, some weak spots in the economy have occurred. Housing and autos — two historic leading indicators of economic activity — have noticeably slowed. Yet, investment spending for plant and equipment has shown renewed life, moving to the forefront of economic activity.

The bottom line for the year is slow but steady progress.

Despite negative reports, the economy is essentially undergoing a composition transformation which may result in prolonging the expansion.

Certainly the outlook for 1990 and beyond is difficult to assess. From a historical perspective, a safe bet would be to expect a downturn sometime next year. Still, an economic expansion which has shown the tenacity to shrug off the stock market crash in October 1987, as well as the drought last summer, may continue to surprise the doomsayers.

A Digression

In support of those who are responsible for forecasting and planning, one reason for the spate of negativism is the unfamiliar ground on which the economy currently resides. May marks the 78*th* month of the current economic expansion. Over the last one hundred years, business expansions have averaged about 33 months in length. In essence, the current business cycle represents the longest peacetime expansion in modern economic history (the longest business expansion was from 1961 to 1969 which encompassed three different presidential administrations and the Vietnam War). In this light, analysts search for corresponding periods of economic activity in order to assess the present state of the economy and, subsequently, its most likely direction. As such, the recent period of low unemployment and relatively high production capacity promotes a logical concern over resource constraints and subsequent inflationary pressures being built into the economy.

On the other hand, paramount to an analysis of the economy are the structural changes which have occurred during the decade of the 1980s. Surely, from a manufacturing perspective, the competitive environment today is much more global in nature and has had a significant impact on production industries (and management practices). The advent of technological improvements has also led to continued advancements in competition, especially in the financial arena. In addition, the extent of deregulation across many key industries has led to greater competitiveness and more efficient operations. Finally, but certainly of major significance, is the slow but steady change in the composition of the labor force to a more mature and educated work force.

Perhaps the best advice to those unfortunate enough to be placed in a situation of having to predict the likely direction of the economy is to "expect the unexpected." Today's analyst seems best served by an eclectic view of the marketplace. For example, while supply-side economics has not passed the rigor of historical tests, a recognition of such facts is essential to a comprehensive view of the economy. Another key element is an increased focus on local and regional economies which often lay bare structural market forces which are inherently vital components (but sometimes difficult to assess) on a national level. Finally, a glance outside the discipline to other facets, such as demographic trends, helps to better understand the fundamentals of the economy.

The Consumer Sector

A shift in the characterization of the American consumer from irrepressible to cautious is underway. While a change in consumer purchase patterns has been suggested before, this time the reasons are different. Instead of concern over spent savings or debt overload, consumers may just have reached a natural point of saturation. After all, the market for televisions, VCRs and microwaves is not infinite in nature and seven years of uninterrupted growth would certainly have satisfied a major portion of pent-up demand.

To some degree, an underlying change in the composition and lifestyles of purchasers may be at hand. A gradual aging of the "baby-boomer" set may lead to a more conservative approach to spending decisions. In essence, a demographic shift (to an older, more established, population) in consumer attitudes may promote a greater focus on financial security as opposed to seemingly frivolous consumption.

Does this mean a complete retrenchment among all consumer groups? It is not likely. The best indicators regarding short-term consumption patterns are the confidence barometers. Consumer confidence has been at a twenty-year high, supported by consistent employment gains and accompanying income.

Certainly, key elements with respect to the consumer sector in 1989 will be impacted by rising interest rates, especially expenditures tied to adjustable rates, and concerns over revitalizing spent savings. Nevertheless, the underlying shift in consumption patterns places the onus on segmenting the market into discrete niches and displaying a clear picture of the benefits of a product or service relative to cost.

Overall, real consumption spending should increase at a 2 to 3 percent rate during the year (a respectable showing) which should help to alleviate fears of runaway inflation due to "debt-crazed" households while at the same time maintaining a sufficient market presence in order to keep the economy from entering into a quick downturn.

Business

Capital spending will once again be strong in 1989. Recent surveys of spending plans continue to boost anticipated expenditures for plant and equipment during the year, as American business concentrates funds on productivity improvements. Major challenges to the business community in 1989 include (1) controlling labor costs which should be at least partially offset by productivity gains resulting from prior years' investment in more efficient equipment and machinery, (2) the value of the dollar, (3) the threat of protectionism which could rapidly shut down world markets, and (4) the proper management of cost pressures *vis-a-vis* market share.

Overall investment spending should sustain the economy in 1989. Expenditures for plant and equipment should also assure a diminution in inflationary fears. Clearly, a movement to substitute capital for labor is underway across many industries which in the long run should enhance productivity and ultimately the standard of living.

The Government Sector

On a theoretical basis, stabilization policy is a function of both government involvement, as represented through active fiscal policy (spending and taxing decisions), and the Federal Reserve through monetary policy. Throughout the tenure of the present economic expansion, the Fed has been characterized as "the only game in town," in that discretionary fiscal policy has been handcuffed by the intractable nature of the federal budget deficit. The inability of the new Administration and Congress to make decisive steps to reel in government spending will once again leave the brunt of stabilization policy in the hands of the Federal Reserve System.

Over the past year and a half, the Fed has pursued what may be termed "a gradualistic approach." The balancing act performed by the Fed in light of its obligation to sustain the economic expansion, contain inflationary pressures, reduce the dependence on foreign capital, and support capital flows to fund export and investment activity has been truly remarkable to date.

Sound monetary management is clearly a necessary ingredient for continued economic prosperity into 1990 and beyond. Truly, the task is a monumental one. Currently, the Fed can (1) essentially do nothing until it becomes clear as to whether past restrictiveness has truly slowed the economy to a more palatable level, (2) risk a recession in order to thwart inflationary pressures, or (3) gradually continue to test the waters through minor discretionary tightening action. Given the current dilemma facing the S&L industry, concern over foreign debt and the fear of many corporations being overleveraged due in part to the recent tide of leveraged buyouts, the Fed will more than likely adopt a passive approach to monetary management, allowing the marketplace to determine credit conditions.

Inflation

A key element in the outlook for the economy is the concern over inflation. Early in the year, inflationary measures such as the Producer Price Index and the Consumer Price Index increased at a shocking rate. However, a closer inspection of the inflation numbers would support a minimal increase over 1988 not to exceed a 6 percent annual average. Much of the overstatement in inflation numbers has been caused by unique events which have already begun to moderate (food and oil shocks). While heightened inflationary pressures are a major concern over the long run, double-digit inflation is certainly a very minute possibility for 1989 and beyond.

Summary

Early in the year, many stories surfaced concerning the possibility that business cycles were indeed dead. From a historical perspective, similar stories occurred during the 1960s, a time of unprecedented economic growth. Yet, as history proved, business cycles were very much alive as the prosperous and long sustained expansion in the 1960s was replaced by a series of major market disruptions during the 1970s and early 1980s. While it would be unrealistic to expect the current expansion to last forever, hope springs eternal that the decade of the 1990s could indeed experience positive economic growth absent of any major disruptions of market forces.

Personal Income Report

Trends evident in what may be viewed as one of the most comprehensive measures of the economy's health, personal income, suggest that the Commonwealth turned in a fairly impressive showing in 1988. This measure represents the total of all income including earnings, dividends/interest/rent, and transfer payments. For the year, personal income totaled $194.5 billion, up 7.1 percent from 1987. This represents only a slight improvement over 1987's 7 percent advance. However, it represents considerable improvement over the 6.1 percent increase averaged since 1982.

In addition to a solid showing with respect to recent historical trends, Pennsylvania also held up fairly well relative to the nation as a whole last year. Nationwide, personal income grew at a similar 7.3 percent clip. Again, this relative showing represents significant improvement over recent years. Since 1982, average growth in U.S. personal income has been 1.1 percentage points higher than in Pennsylvania.

This general overview corresponds nicely with conclusions drawn in earlier issues of the *Pennsylvania Business Survey*. Most indicators in 1988 suggested that, while far from booming, growth was quite solid in the Pennsylvania economy. Additionally, it was hypothesized that, for the first time in

1988 personal income by major source: Pennsylvania and the United States (millions of dollars)

	Pennsylvania		U.S.
	1988	Pct. chg. from 1987	Pct. chg. from 1987
Earnings by place of work	136,494	7.5	7.3
By type			
Wage and salary disbursements	110,812	8.2	8.0
Other labor income	10,953	5.2	5.0
Proprietors income	14,729	4.0	3.8
By industry			
Farm	880	-19.9	-12.0
Nonfarm	135,615	7.7	7.7
Private	118,410	8.1	8.0
Ag. serv., for., fish., and other	493	12.0	10.3
Mining	1,399	0.0	4.0
Construction	9,114	9.0	6.9
Manufacturing	32,263	6.2	6.2
Nondurable goods	12,317	6.0	5.5
Durable goods	19,946	6.4	6.6
Transportation and public utilities	9,346	7.0	6.8
Wholesale trade	8,404	9.8	9.5
Retail trade	13,126	8.7	8.5
Finance, insurance, and real estate	8,589	9.1	8.5
Services	35,678	9.2	9.5
Government	17,205	5.3	6.2
Federal, civilian	4,209	5.8	5.2
Federal, military	689	-4.2	2.5
State and local	12,308	5.7	7.0
Total personal income	194,459	7.1	7.3
Nonfarm personal income	193,579	7.3	7.5
Net earnings[1]	126,989	7.0	6.9
Dividends, interest and rent	33,856	8.9	9.1
Transfer payments	33,615	5.7	6.8

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, April 1989.

[1] Total earnings by place of work less personal contributions for social insurance plus an adjustment for residence.

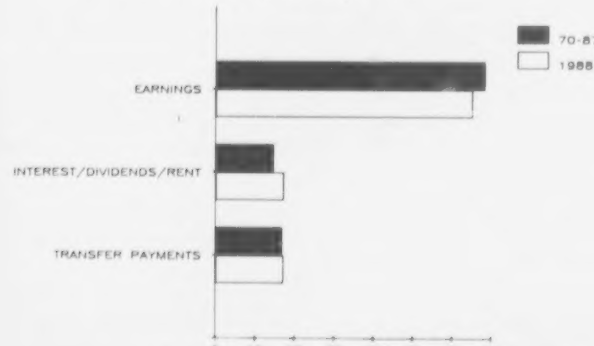
several years, Pennsylvania performed pretty much on par with the U.S. over roughly the 1987-1988 period. The recently released personal income information does nothing to change the general tone of these insights.

Much has been made in recent years of the structural shift in Pennsylvania's economy. Such a shift is evident in a breakdown of personal income. Earnings' share of personal income has declined from earlier years (chart). Over the 1970-1987 period, earnings accounted for about 68.4 percent of total personal income. Last year, it accounted for 65.3 percent. The bulk of the difference was made up by the dividends/interest/rent component which accounted for 17.4 percent of the total last year. Over the previous 18 years, its share averaged 14.7 percent. Transfer payments' share rose a bit less, from 16.9 percent in the earlier period to 17.3 percent last year. Although no definite conclusions may be drawn because of a lack of data, the aging of Pennsylvania's population may account for at least part of these shifts. Older residents are more likely to draw income from transfer payments and investment-related activities than from work-related earnings. Another potential cause concerns the greater availability of higher-yielding investments in todays credit markets.

The shift away from goods-producing activities and towards service-producing activities in recent years is also apparent in the personal income statistics. For instance, manufacturing accounted for 24 percent of all earnings in Pennsylvania last year (chart). This is down considerably from the 33 percent share of 1979. Construction and mining's share did, however, rise slightly. The share of earnings accounted for by the services industries also rose, from 18 percent in 1979 to 26 percent in 1988.

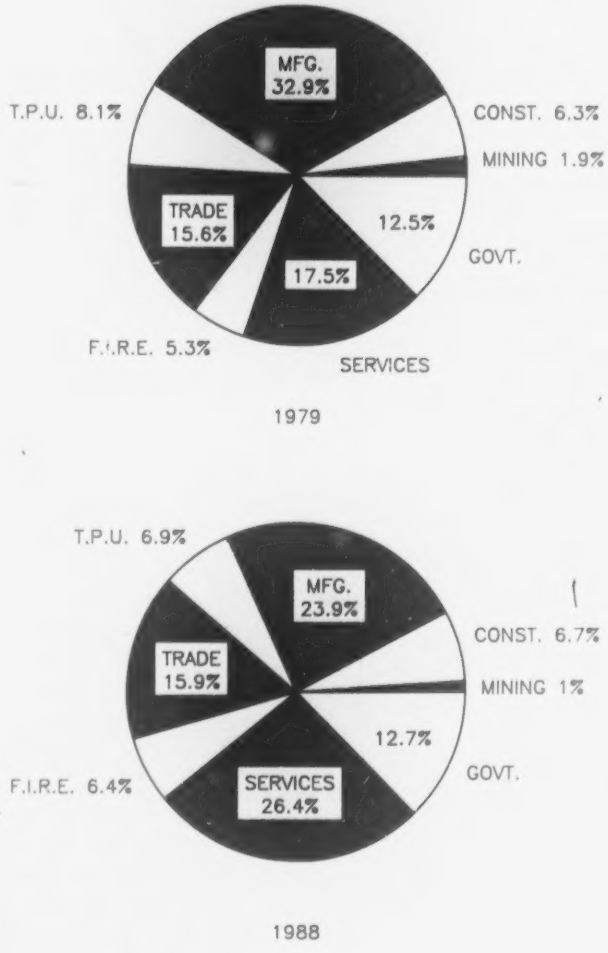
While earnings growth in the service-producing industries continued to outpace the goods-producing sector, some improvement was recorded. For instance, earnings in the construction industry soared 9 percent last year, quite a bit stronger than the 7.7 percent gain averaged throughout the nonfarm sector. Although manufacturing's earnings gain of 6.2 percent was less than the economy-wide average, it represents considerable improvement over the 2.5 percent gain averaged over the 1982-1988 period. Most service-producing industries, led by trade and services, turned in above-average showings in terms of earnings growth in recent years. Although discrepancies still exist, the data do indicate some improvement on the part of the performance of Pennsylvania's goods-producing industries, though it still lags that for the Commonwealth's service-producers.

COMPONENTS' SHARE OF PA PERSONAL INCOME: 1970-1987 AVERAGES AND 1988
(percent)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS

SHARE OF PENNSYLVANIA EARNINGS BY INDUSTRY: 1979 AND 1988
(percent)



The situation appears to be at least as impressive when looked at on a per capita basis. Personal income averaged $16,168 per Pennsylvanian in 1988, up 6.4 percent from 1987. Although down a bit from 1987's 6.6 advance, this does represent an improvement over the 5.9 percent gain in per capita personal income averaged between 1982 and 1988. Nationally, average personal income grew 6.2 percent last year. However, income averaged $16,444 last year, nearly $300 more than in the State.

Data for 1987 personal income for Pennsylvania's metropolitan areas have also recently been made available. (The release of the metro area data lags the Statewide information by one year.) All 15 metro areas recorded gains in personal income on both a total and per capita basis relative to 1986. The strongest gains in total income occurred in eastern, especially southeastern, Pennsylvania and in the

Williamsport and State College (where the 9 percent gain in 1987 was the strongest in the Commonwealth) regions. Several times, the *Pennsylvania Business Survey* has identified these economies as being the strongest in the Commonwealth.

Per capita income varies considerably across Pennsylvania's metro areas. Philadelphia is home to the highest reading, $17,294. Other relatively high readings are found in the Reading, Allentown-Bethlehem, York, Lancaster, and Pittsburgh regions. The lowest reading is found in the Johnstown metro area, $11,690, as the loss of heavy manufacturing appears to have taken its toll.

If anything, gaps between the "haves" and the "have nots" in Pennsylvania appear to be growing. Except for Reading and Harrisburg, metro areas in the east and central regions of the State saw average income levels rise relative to Statewide averages between 1983 and 1987 (chart). When expressed as a percent of the Pennsylvania average, these readings rose. Regions in western Pennsylvania saw per capita readings of income fall relative to overall norms. However, it would not be especially surprising to see a slight reversal in these trends in the future as there have been signs of more balanced growth across regions, though differences still remain.

The structural shifts discussed above are also evident in every metro area in Pennsylvania. For instance, manufacturing's share of total earnings has dropped between 1979 and 1987 in every region, while the share accounted for by services has grown (chart). The largest shifts have occurred in western Pennsylvania. For instance, Beaver County's manufacturing share dropped from 61 percent of earnings in 1979 to 24 percent in 1987. This is illustrated by a decline of 37 percentage points in the chart. Services' share rose from 8 percent to 21 percent. In fact, some of the largest manufacturing shares are now found in southeastern Pennsylvania.

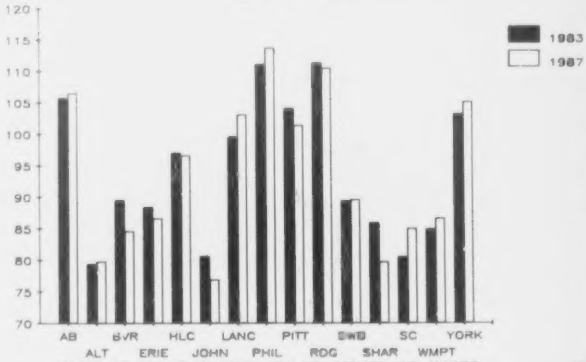
— William D. Anderson

1987 total and per capita personal income: Pennsylvania metropolitan areas

	Total personal income (millions of dollars)		Per capita income (dollars)	
	1987	Pct. chg. from 1986	1987	Pct. of natl. ave. 1987
Allentown-Bethlehem	10,782	8.1	16,190	105
Altoona	1,601	4.8	12,135	78
Beaver County	2,457	5.5	12,861	83
Erie	3,672	5.1	13,174	85
Harrisburg-Lebanon-Carlisle	8,577	7.3	14,693	95
Johnstown	2,948	5.1	11,690	75
Lancaster	6,333	8.6	15,686	101
Philadelphia	84,158	8.1	17,294	112
Pittsburgh	32,464	5.6	15,419	100
Reading	5,450	7.4	16,803	109
Scranton-Wilkes-Barre	9,964	6.9	13,631	88
Sharon	1,496	4.7	12,115	78
State College	1,480	9.0	12,920	83
Williamsport	1,542	8.1	13,173	85
York	6,452	8.3	15,984	103

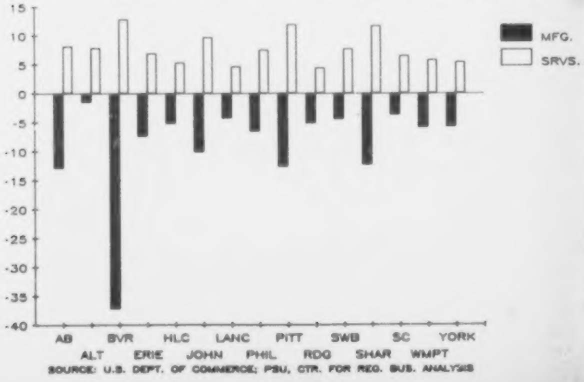
SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, April 1989.

METRO AREA PER CAPITA PERSONAL INCOME AS A SHARE OF THE PA AVERAGE: 1983 AND 1987 (percent)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS

METRO AREA CHANGES IN MANUFACTURING AND SERVICES SHARES OF EARNINGS: 1979-1987 (1987 share minus 1979 share; in pct. points)



SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS

1988 BUILDING PERMITS REPORT

Construction trends were mixed in Pennsylvania during 1988 based on projects authorized by permit. New residential housing unit authorizations fell slightly from 1987 levels. The estimated value of this construction rose a bit. Permit authorizations for new nonresidential buildings, which includes nonbuilding projects such as parks, outdoor pools, outdoor theaters, etc., rose, as did the valuation of these projects.

The data are obtained through an annual survey of permit-issuing authorities by the U.S. Bureau of the Census. Information for nonrespondents are imputed (estimated). Activity in areas where a permitting process is not in place is not included. Historical comparisons are somewhat suspect, though still enlightening, in that the number of permitting authorities has tended to grow over time. Hence, the surveyed population has grown. Most, but not all, permitted projects are actually begun. Therefore, they are not a true representation of construction starts. Similarly, no data are available to determine when a project is started. The data are subject to large swings, especially at the local level, sometimes because of distortions related to the permitting of large projects. The value of authorized construction is estimated during the course of the permitting process. It does not necessarily reflect actual market value. It can only be assumed to be representative of pricing trends in the real estate sector. There are special interpretation problems as they relate to nonresidential trends. Given the wide variety of construction categories, it is hard to gauge overall trends. There are difficulties in comparing trends in the various sub-groups. Hence, analyses of these trends are much more limited relative to the residential sector. This is especially true at the regional level. The data are presented in a detailed tabular format in a manner similar to that for the residential side to allow those readers with detailed knowledge of building activity in individual locales to gauge trends.

New authorized construction in permit issuing places in PA (res. authorizations in units; nonres. authorizations in bldgs.; value in thousands of dollars)

	Authorizations		Value	
	1988	Pct. chg. from 1987	1988	Pct. chg. from 1987
Residential	53,833	− 1.8	3,863,109	7.7
Single-family	45,293	− 1.1	3,537,172	9.5
2 units	788	−32.5	32,731	−20.4
3-4 units	941	−21.1	41,289	−10.7
5+ units	6,811	2.3	251,917	− 6.7
Nonresidential	23,126	10.4	2,338,209	40.3
Amusement	203	17.3	53,201	83.0
Religious	144	32.1	37,310	0.9
Industrial	890	− 6.8	340,806	27.5
Parking garages	49	−71.8	73,900	25.9
Service stations	282	−11.0	27,223	3.7
Hospitals	126	− 2.3	163,178	42.3
Offices	798	− 3.4	844,701	98.2
Public works	187	32.6	37,667	−34.1
Schools	101	2.0	50,154	−17.4
Stores	1,655	− 2.5	545,659	29.9
Other buildings	11,463	18.1	109,843	− 3.1
Non-building	7,228	9.3	54,567	− 2.0

Source: U.S. Dept. of Commerce, Bur. of the Census

There were 53,833 new housing units authorized for construction in Pennsylvania in 1988. (A unit is a single-family house or an individual apartment, condominium, town house, etc. in a multi-unit building.) This represents a decline of 1.8 percent from 1987's 54,803 permits. This was the first decline since 1982. Permit growth started to slow in 1987 after four years of solid gains. It is difficult to say why activity has slowed. Upward pressure on borrowing costs, inflation in the housing market, and the satisfaction of pent-up demand are likely explanations. Despite this decrease, the value of permitted residential construction rose 7.7 percent from 1987 to $3.9 billion. The average new unit was valued at $71,761. In 1987, the average was $65,464.

Nationally, 1,455,623 permits were authorized in 1988 for a decline of 5.2 percent from 1987. Growth in Pennsylvania authorizations has outpaced gains recorded nationally every year since 1984. New construction values (estimated) rose 3.3 percent in 1988 in the U.S. The typical new unit was valued at $64,079 in 1987 and $69,815 in 1988.

Growth was sluggish in both the single- and multi-family sectors in Pennsylvania. Single-family authorizations totaled 45,293 in 1988, down 1.1 percent from 1987. The number of new units authorized in two-unit buildings dipped by one-third on an annual basis. New units in buildings containing three or four units fell by more than one-fifth. Only those units in buildings with at least five units showed any growth in the number of new authorizations last year as they increased 2.3 percent. The increase in valuations was the result of a 9.5 percent gain in the single-family category. All multi-unit categories registered declines in new construction values from 1987.

Seven of the 15 metropolitan statistical areas in Pennsylvania registered gains in the number of new housing units authorized in 1988. Three of the four strongest gains occurred in regions where economic growth was relatively sluggish throughout much of the 1980s: Sharon (a 37.3 percent gain from 1987), Altoona (+17.7 percent), and Johnstown (+17.6 percent). In the York metro area, authorizations rose 29.1 percent. The largest declines occurred in Centre County where 36.3 percent fewer permits were authorized in 1988 and in the Allentown-Bethlehem region where a 19.7 percent fall occurred. Metro-Philadelphia permits fell 2.6 percent as declines in Bucks, Chester, and Delaware Counties offset gains in Montgomery and Philadelphia Counties. In the Pittsburgh region, gains in Fayette, Washington, and Westmoreland Counties helped push authorizations up 2.6 percent. Of the 33 metropolitan counties in Pennsylvania, 17 authorized fewer permits in 1988 compared to 1987. Only seven turned in declines in new construction values, further evidence that new housing prices have been on the rise.

Only 16 of the 34 non-metro counties in Pennsylvania realized gains in authorizations in 1988. The same number realized gains in construction values. The largest percentage gain in authorizations occurred in Northumberland County. Potter County had the largest dropoff. In absolute terms, Pike, Wayne, and Butler Counties had the highest number of per-

New authorized residential construction in permit issuing places by metropolitan statistical area and county (authorizations in units; value in dollars)

	Total				Single-family			
	Authorizations		Value		Authorizations		Value	
	1988	Pct. chg. from 1987	1988	Pct. chg. from 1987	1988	Pct. chg. from 1987	1988	Pct. chg. from 1987
MSAs								
A'town-Beth MSA	3,563	-19.7	297,406,608	-3.6	3,269	-16.2	283,884,107	-2.7
Carbon	324	-12.7	20,408,228	6.1	279	13.4	18,493,770	32.5
Lehigh	1,586	-7.9	139,976,367	10.9	1,449	-1.8	132,987,324	11.1
Northampton	1,653	-29.5	137,022,013	-16.0	1,541	-29.2	132,403,013	-16.3
Altoona MSA (Blair)	333	17.7	21,212,790	45.9	269	10.2	16,897,790	22.9
Beaver MSA (Beaver)	291	-9.9	20,779,542	40.1	281	67.3	20,511,430	91.0
Erie MSA (Erie)	775	-3.7	41,807,719	-3.3	638	1.8	38,064,719	2.6
H'burg-Leb-Carl MSA	3,630	-5.3	229,010,967	5.7	2,953	-11.1	203,097,717	1.8
Cumberland	1,473	-4.1	99,742,018	9.2	1,196	-10.5	87,408,763	1.2
Dauphin	1,432	-0.3	89,851,951	9.1	1,238	-7.8	84,459,331	6.4
Lebanon	480	-14.0	27,638,834	-8.7	318	-10.7	20,614,459	-4.5
Perry	245	-19.4	11,778,164	-6.2	201	-29.7	10,615,164	-13.2
Johnstown MSA	515	17.6	29,676,867	13.8	507	28.7	29,420,867	30.2
Cambria	191	-4.5	10,884,755	4.1	183	-6.6	10,628,755	2.5
Somerset	324	36.1	18,792,112	20.2	324	63.6	18,792,112	53.6
Lanc MSA (Lancaster)	3,519	-2.6	256,995,639	13.5	2,990	3.4	234,762,574	18.9
Philadelphia MSA	15,305	-2.6	1,229,106,276	5.8	12,618	0.3	1,110,513,072	7.0
Bucks	4,287	-9.0	326,766,171	-1.0	3,772	-0.6	309,992,336	3.9
Chester	3,773	-9.9	372,833,673	2.5	3,582	-6.4	366,072,402	4.6
Delaware	1,583	-5.2	126,027,084	2.5	1,080	-7.8	96,812,373	1.9
Montgomery	3,898	1.1	303,661,879	12.6	3,452	9.3	285,283,941	15.8
Philadelphia	1,764	37.8	99,817,469	31.9	732	14.9	52,352,020	9.8
Pittsburgh MSA	5,547	2.6	406,336,642	8.6	3,842	-6.0	356,266,451	7.0
Allegheny	3,564	-1.4	267,879,392	3.0	2,130	-11.6	226,067,467	1.9
Fayette	372	31.9	15,450,307	19.9	252	-7.0	12,022,541	-4.6
Washington	527	9.6	41,451,573	17.6	471	2.6	39,736,573	15.2
Westmoreland	1,084	5.6	81,555,370	23.4	989	4.1	78,439,870	22.6
Reading MSA (Berks)	2,184	0.3	146,125,279	5.3	2,047	28.0	141,570,732	31.4
Scr-Wilkes-Barre MSA	5,523	-4.2	369,426,147	0.3	4,826	-6.1	338,383,744	-0.2
Columbia	130	13.0	5,800,086	23.0	110	15.8	5,352,008	26.2
Lackawanna	714	1.0	44,401,476	9.4	654	-0.6	43,025,150	9.4
Luzerne	1,167	0.6	70,619,300	7.7	1,007	3.5	61,092,973	12.4
Monroe	3,447	-7.9	244,468,371	-4.0	2,996	-11.2	225,056,699	-5.6
Wyoming	65	51.2	4,136,914	49.0	59	43.9	3,856,914	41.2
Sharon MSA (Mercer)	195	37.3	10,705,544	30.4	171	23.9	9,709,544	21.2
St Coll MSA (Centre)	703	-36.3	57,771,684	-23.9	637	-24.4	53,041,303	-6.0
W'port MSA (Lycoming)	362	14.6	20,124,909	16.4	302	11.4	18,841,909	19.0
York MSA	3,829	29.1	226,523,401	23.2	2,884	14.5	200,648,959	18.4
Adams	916	35.1	54,131,601	42.4	745	19.4	48,149,801	32.2
York	2,913	27.3	172,391,800	18.2	2,139	12.9	152,499,158	14.6
Non-MSA counties								
Armstrong	85	-46.5	4,467,255	-35.7	85	-46.5	4,467,255	-35.7
Bedford	136	11.5	5,765,778	34.2	120	0.0	5,184,498	22.0
Bradford	134	9.8	5,995,234	21.7	115	11.7	5,816,016	25.2
Butler	878	21.9	74,919,286	75.3	714	16.3	68,429,180	73.0
Cameron	13	-50.0	850,920	-46.6	13	-50.0	850,920	-46.6
Clarion	62	-8.8	2,913,583	9.3	62	3.3	2,913,583	14.7
Clearfield	95	-26.9	5,212,266	-38.0	83	-36.2	4,960,666	-41.0
Clinton	91	46.8	4,899,712	33.7	63	1.6	3,279,712	-10.5
Crawford	176	6.0	7,038,772	6.7	173	4.2	6,910,772	4.8
Elk	91	7.1	4,379,970	-1.8	80	-3.6	4,161,970	-5.8
Forest	11	-15.4	566,441	-19.4	11	-15.4	566,441	-19.4
Franklin	603	-14.1	33,596,275	-8.6	603	-14.1	33,596,275	-8.6
Fulton	39	-4.9	1,694,480	-0.2	39	-4.9	1,694,480	-0.2
Greene	13	18.2	686,800	52.1	11	22.2	659,800	53.8
Huntingdon	136	-9.3	4,621,070	-1.8	136	-9.3	4,621,070	-1.8
Indiana	150	-13.8	9,231,984	-7.3	98	10.1	7,122,984	40.1
Jefferson	69	-27.4	3,480,600	-13.1	69	-12.7	3,480,600	-0.5
Juniata	86	3.6	3,106,760	-8.4	70	6.1	2,751,760	-5.0
Lawrence	136	-8.1	7,108,484	-26.5	114	21.3	6,723,484	18.7
McKean	55	-12.7	2,530,685	-12.1	52	-11.9	2,486,685	-10.5
Mifflin	181	13.1	8,103,496	21.6	179	26.1	8,043,496	30.6
Montour	243	-12.3	7,563,937	-15.9	243	-6.2	7,563,937	-9.1
Northumberland	219	49.0	9,650,473	37.7	159	9.7	7,840,473	12.4
Pike	1,681	-0.2	172,106,660	47.6	1,647	-0.1	170,436,760	49.4
Potter	23	-51.1	751,935	-36.3	23	-51.1	751,935	-36.3
Schuylkill	253	2.0	13,260,366	3.8	245	1.7	13,133,841	3.7
Snyder	112	-5.9	5,978,709	-1.3	104	-5.5	5,798,709	-1.1
Sullivan	79	8.2	3,284,940	1.1	79	8.2	3,284,940	1.1
Susquehanna	207	15.6	9,490,416	29.6	195	11.4	9,269,416	28.3
Tioga	234	46.3	8,250,973	68.6	234	46.3	8,250,973	68.6
Union	173	8.8	11,298,036	17.4	147	-7.5	9,293,036	-3.4
Venango	69	-25.8	3,370,880	-16.9	69	-25.8	3,370,880	-16.9
Warren	70	-21.3	3,334,140	-18.9	70	-21.3	3,334,140	-18.9
Wayne	956	4.6	60,586,022	8.1	954	6.4	60,506,022	9.3

Source: U.S. Dept. of Commerce, Bur. of the Census

New authorized nonresidential construction in permit issuing places by metropolitan statistical area and county (authorizations in no. of bldgs.; value in dollars)

	Authorizations		Value	
	1988	Pct. chg. from 1987	1988	Pct. chg. from 1987
MSAs				
A'town-Beth MSA	2,171	13.0	160,732,660	47.4
Carbon	143	-22.7	4,292,942	-22.5
Lehigh	892	11.4	94,740,554	41.2
Northampton	1,136	21.5	61,699,164	69.4
Altoona MSA (Blair)	178	6.0	16,414,779	19.3
Beaver MSA (Beaver)	373	22.3	13,313,226	-12.1
Erie MSA (Erie)	579	2.8	37,822,870	29.8
H'burg-Leb-Carl MSA	1,533	8.5	219,618,957	34.8
Cumberland	574	-3.9	83,660,207	-3.2
Dauphin	599	25.1	91,008,635	155.3
Lebanon	215	0.9	43,371,100	13.2
Perry	145	16.9	1,579,015	-37.8
Johnstown MSA	350	2.9	16,394,541	15.4
Cambria	147	-25.8	10,036,759	89.8
Somerset	203	43.0	6,357,782	-28.7
Lanc MSA (Lancaster)	1,477	19.4	109,684,394	21.5
Philadelphia MSA	5,579	7.7	1,030,502,860	79.1
Bucks	2,102	18.2	132,417,506	75.8
Chester	1,208	-2.3	126,072,408	-17.8
Delaware	657	-3.2	56,700,296	-13.7
Montgomery	1,414	7.4	201,137,883	72.4
Philadelphia	198	15.1	514,174,767	212.9
Pittsburgh MSA	2,333	13.2	207,888,677	6.2
Allegheny	1,155	20.7	149,250,155	6.2
Fayette	279	-6.7	7,588,643	-46.4
Washington	425	14.6	21,270,673	85.9
Westmoreland	474	9.2	29,779,206	0.1
Reading MSA (Berks)	556	-15.5	86,895,519	134.5
Scr-Wilkes-Barre MSA	1,152	0.9	99,398,067	-2.4
Columbia	105	-14.6	1,637,432	-43.1
Lackawanna	235	-1.7	25,938,840	-15.5
Luzerne	410	12.0	43,673,137	35.4
Monroe	379	-4.3	27,733,088	-21.9
Wyoming	23	27.8	415,570	-21.0
Sharon MSA (Mercer)	276	2.6	10,430,291	12.6
St Coll MSA (Centre)	340	51.1	35,921,421	14.3
W'port MSA (Lycoming)	277	-5.8	10,577,235	5.5
York MSA	1,713	17.5	92,261,823	-18.8
Adams	252	2.0	11,530,023	-42.0
York	1,461	20.6	80,731,800	-13.9
Non-MSA counties				
Armstrong	95	14.5	2,207,647	-1.2
Bedford	136	19.3	3,942,063	15.9
Bradford	318	20.9	5,675,457	46.8
Butler	357	15.2	49,429,386	101.9
Cameron	7	-12.5	641,586	137.8
Clarion	49	-26.9	925,498	-80.6
Clearfield	49	14.0	3,594,823	-70.6
Clinton	64	60.0	2,873,757	141.1
Crawford	532	44.2	8,573,141	-7.3
Elk	164	-3.0	2,355,207	-5.3
Forest	13	116.7	48,860	119.5
Franklin	157	4.7	4,335,188	-48.0
Fulton	95	82.7	454,117	143.0
Greene	15	650.0	484,075	1,000.2
Huntingdon	87	20.8	2,875,569	44.8
Indiana	73	28.1	3,707,326	39.4
Jefferson	112	6.7	3,049,660	-48.8
Juniata	47	-16.1	1,039,494	-45.8
Lawrence	149	-10.2	5,790,345	25.6
McKean	95	13.1	5,734,186	63.1
Mifflin	96	-19.0	8,081,438	357.3
Montour	22	-18.5	12,850,300	1,641.0
Northumberland	129	14.2	7,180,424	-69.5
Pike	159	-14.5	6,510,978	33.6
Potter	64	73.0	906,579	-7.2
Schuylkill	156	6.8	11,411,175	16.2
Snyder	134	25.2	4,819,106	17.1
Sullivan	53	82.8	377,491	70.3
Susquehanna	108	4.9	2,551,919	68.5
Tioga	222	26.1	4,420,279	8.5
Union	118	-3.3	13,853,510	279.2
Venango	86	36.5	2,119,757	0.8
Warren	151	20.8	2,126,634	64.2
Wayne	125	-11.3	5,404,721	-2.3

Source: U.S. Dept. of Commerce, Bur. of the Census

mits among all non-metro counties in 1988. New authorizations in Pike County were essentially unchanged from 1987 while Wayne and Butler Counties realized gains.

While there is a good deal of variability across regions, growth in new residential construction activity in Pennsylvania seems to have slowed from earlier in the decade. In absolute terms, however, activity probably held fairly steady in 1988 at near-record levels. The situation appears to have worsened considerably in the first few months of 1989 according to preliminary estimates. Through the first quarter, housing unit authorizations were down by one-fifth from a year ago. New construction values were estimated to be 14 percent less than in the same period in 1988.

On the nonresidential side, 23,126 new projects were authorized by permit in 1988 in Pennsylvania. This works out to a 10.4 percent advance over 1987 levels. Permitted construction was valued at more than $2.3 billion, up 40.3 percent from 1987. Nationally, 488,167 nonresidential permits were granted last year, down 2.6 percent. Valuations were up 6.6 percent to $51.5 billion.

The largest absolute gain in the number of projects authorized came in the other buildings category which includes sheds, barns, jails, and post offices, to name a few sub-groups. All told, 11,463 projects of this type were authorized in 1988 for a gain of 1,754. The largest percentage gains came in public works and religious buildings where authorizations rose by nearly one-third. Industrial buildings, offices, stores and hospitals accounted for the bulk of the increase in new permitted construction valuations. Ironically, none of these four realized a gain in the number of authorizations.

Among Pennsylvania's metropolitan statistical areas, only Reading and Williamsport failed to record an increase in the number of nonresidential permits granted in 1988. The largest percentage gains came in State College (a 51.1 percent gain from 1987), Beaver County (+22.3 percent), and Lancaster (+19.4 percent). Authorizations in Pennsylvania counties in the Philadelphia metro area rose 7.7 percent with the strongest showing in Bucks County. A 13.2 percent increase occurred in the Pittsburgh area with Allegheny County accounting for a relatively large share of the gain. Growth in construction valuation was quite varied across metropolitan counties last year. New nonresidential construction values were more than triple the 1987 reading in Philadelphia County. They were up 155.3 percent in Dauphin County and 134.5 percent in Berks County. Three counties, Fayette, Columbia, and Adams, registered declines of close to 50 percent.

Trends across Pennsylvania's non-metro counties are even more varied and difficult to read. In Greene County, The number of authorizations rose 650 percent (albeit to a small 15 projects) and the value of construction was 10 times greater than in 1987. Montour County saw authorizations drop, yet valuations rose 1,641 percent.

There appears to be no significant uptrend or downtrend in the data through the first quarter of 1989. Statewide, the number of nonresidential permits authorized dipped slightly from a year ago but this new construction was valued higher.

— William D. Anderson

[This represents the Center for Regional Business Analysis' initial attempt to highlight annual trends in building permit

authorizations. Historically, construction contracts awarded was our sole gauge of construction activity. More recently we have looked at housing permit authorizations Statewide on a quarterly and then a monthly basis (along with nonresidential permit authorizations). This article is the result of a continuous effort to broaden the scope of the analyses contained in the Pennsylvania Business Survey. *Strong consideration is being given to updating this study annually and publishing the results in the* PBS. *Any comments that you have concerning the usefulness of this information would be greatly appreciated. Please send your comments to:* The Pennsylvania State University, College of Business Administration, Center for Regional Business Analysis, 108 Business Administration Building II, University Park, PA 16802.]

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THE VERDICT IS IN:

PA Economy has Lost Some Steam

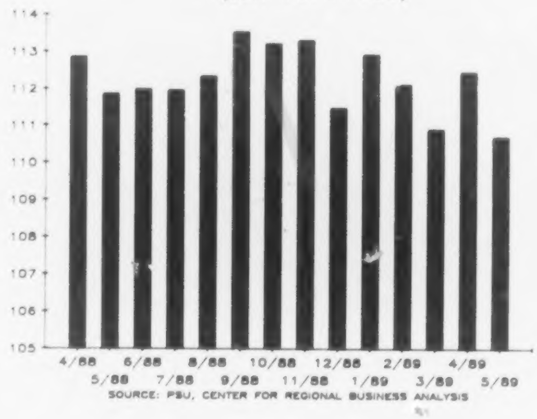
Over the past several years, caution has been exercised in the *Pennsylvania Business Survey* when turning points in economic activity may have been in the offing. Often, analysts respond too quickly on the basis of only a handful of statistics to indications of a shift in economic fortunes. The results have often been misreadings of the economy's true path. Indeed, the current national recovery has been declared dead more than once by a majority of the economic community. The identification of turning points is especially difficult at the regional level in light of a relative absence of timely data. As a result, it is best to avoid brash conclusions until the evidence has weighed considerably on one side or the other for an extended period.

This kind of evidence has mounted in Pennsylvania through the first five months of 1989. **Since signs of weakness first began to appear several months ago, the possibility of a slowdown has been hinted at often in the *Survey*. As evidence of an easing in the pace of growth has mounted, it is now possible to put a good deal of confidence behind such a conclusion.** The index of coincident indicators, designed to measure the direction of current economic activity, has declined in four of the past six months. Additionally, it is quite likely that growth will continue to ease. Recent trends in the index of leading indicators for Pennsylvania suggest that this is likely as it has also declined in four of the past six months (chart).

Still, **a recession does not appear to be in the cards for 1989. Growth should remain positive, albeit slower, as the year unfolds.** If monetary policy officials manage to steer the U.S. economy into a "soft-landing," reducing interest rates and inflationary pressures, Pennsylvania may be primed for another surge in economic activity. (To date, not much thought has been given to the short-term response of the economy to a "soft-landing.") Lower borrowing costs and reduced price pressures would certainly help push activity forward in such areas as construction, retail trade, and manufacturing. Each of these sectors plays a major role in the Pennsylvania economy. Combined, they account for about 40 percent of total economic activity. At one time or another over the past several years, each has helped push the economy forward in the Commonwealth. So, **as conditions now stand, Pennsylvania is in store for slower economic growth, with no recession before 1990. If conditions at the national level unfold in an appropriate manner, it is possible for the expansion to last considerably longer.**

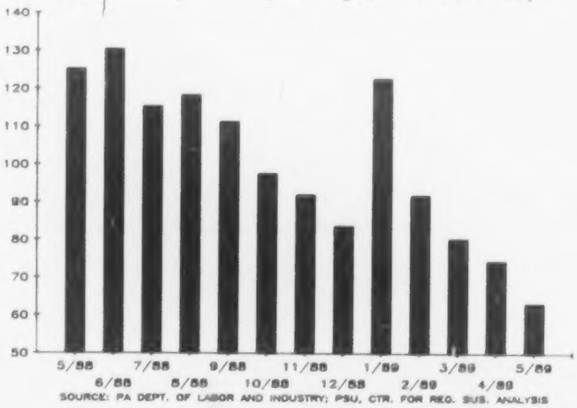
The slowing pace of economic activity is evident in recent trends in nonfarm jobs (chart). The absolute gain in nonagricultural jobs has been on a down trend for nearly a year. After totaling 130,000 in June 1988, year-over-year job gains eased in five of the final six months of the year. After a gain of 120,000 over year-ago readings was recorded in January of this year, gains have eased in each of the past four months. Over the past three months, the seasonally adjusted change in job levels from the previous month turned negative. A seasonally adjusted 18,000 jobs have been lost since February, with half of those coming in May. The slowdown in job growth is even apparent in the services industry where the bulk of all new jobs has been created in past years. Manufacturing job levels fell for the fourth consecutive month after seasonal adjustment. Other measures

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS (Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

RECENT PA NONAGRICULTURAL JOB TRENDS (annual chg. from year ago; in thousands)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

of the factory sector's health also point to some, though not a great deal of, softening. Production levels, although fluctuating from month to month, remain in a general holding pattern. Still, Pennsylvania manufacturers appear to be considerably healthier than only a few years ago.

Growth in construction activity has also subsided. In May, 4,888 new housing units were authorized by permit in Pennsylvania, down 7.8 percent from a year ago. Through the first five months of the year, close to 20,000 new houses were permitted, a drop of 15.5 percent from the same period in 1988. Over the same five-month period, the number of new nonresidential projects authorized rose 2.1 percent. In 1988, authorized nonresidential projects grew 10.4 percent. (Beginning with this issue of the *PBS*, the permit data will be reported in the tabular format found at the top of page two.) Seasonally adjusted construction job levels have declined in two of the past three months, including a drop of 4,000 in May. Growth in the value of construction contract awards has been minimal and has probably not kept pace with inflation in the building sector during this year's first five months. Awards are up 2.6 percent compared to the first five months of 1988.

New Pennsylvania building permit authorizations (percent change from year ago)

	May	Pct. chg.	Year-to-date	Pct. chg.
Residential	4,888	−7.8	19,754	−15.5
Nonresidential	2,814	2.0	8,757	2.1

Source: U.S. Dept. of Commerce, Bureau of the Census.

Another area in which a slowdown in growth is evident

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989 April	1989 May	1988 May	1989 April	1989 May	1988 May	1989 April	1989 May	1988 May
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,097*	5,113	5,050	5,091	5,082	5,021	111.5	111.3	110.0
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,041*	4,056	3,994	4,035	4,030	3,968	125.2	125.0	123.1
Mining	28	28	29	28	28	29	58.1	57.9	60.4
Contract construction	231	237	231	239	235	228	129.9	127.5	124.1
Transportation	151*	151	149	150	149	147	93.3*	92.4	91.3
Public Utilities	103	103	105	104	103	105	102.8	102.6	104.5
Wholesale trade	270	271	270	271	271	270	122.0	122.1	121.6
Retail trade	881*	887	883	887	886	882	123.6	123.5	123.0
Finance, insurance & real estate	296	297	292	297	297	292	136.3	136.6	134.3
Service & miscellaneous	1,372	1,375	1,329	1,365	1,368	1,322	158.2	158.6	153.3
Federal government	138	139	142	138	138	141	107.4	107.7	110.0
State & local government	571	567	563	558	557	553	95.8	95.5	94.9
Manufacturing									
No. of wage and salary jobs (thous.)	1,054	1,054	1,054	1,056	1,053	1,053	78.7	78.4	78.5
Durable goods	601	601	603	601	599	601	74.2	73.9	74.2
Nondurable goods	453	452	451	455	454	452	85.5	85.2	85.0
Ave. wkly. hrs. worked by prod. workers	40.6	40.5	40.8	40.8	40.7	41.0	103.4	103.0	103.7
Total wkly. person-hours worked (mils.)	29.5	29.4	29.5	29.7	29.5	29.5	77.5	76.7	77.0
Total wkly. payroll (mil. dols.)	309.7*	309.3	300.4	312.2	310.5	301.5	138.9	138.2	134.2
Average hourly earnings (dollars)	10.50	10.52	10.19	10.50	10.54	10.21	179.5	180.2	174.5
Average weekly earnings (dollars)	426.30	426.06	415.75	429.74	428.63	418.37	185.8	185.3	180.9
Steel production (thous. tons)	1,120	1,120	1,195	n.a.	n.a.	n.a.	43.4	45.3	48.4
Industrial electric power sales (mil. kwh)	3,750	3,787	3,693	3,885	3,807	3,748	105.2	103.1	101.5
Mining									
Anthracite coal (thous. net tons)	270	276	296	309	277	312	63.4	56.6	63.8
Bituminous coal (thous. net tons)	5,886	5,739	6,323	5,889	5,102	5,749	83.5	72.3	81.5
Construction contracts awarded (mil. dols.)									
Total	893.3	921.5	919.7*	859.1	835.1	848.7*	267.0	259.6	263.8*
Residential building	453.0	411.8	408.1*	392.0	336.6	330.3*	278.5	239.2	234.7*
Nonresidential building	282.5	325.1	318.8*	339.7	319.4	333.6*	313.1	294.4	307.5*
Nonbuilding (utilities and public works)	157.8	184.6	194.8*	127.4	179.1	184.8*	175.8	247.1	255.0*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,606	5,598	5,381	5,669	5,641	5,424	118.0	117.4	112.9
Unemployed									
No. of persons (thous.)	234	256	281	263	272	295	65.6	67.8	73.5
Rate (percentage of labor force)	4.0	4.4	5.0						
Rate, seasonally adjusted				4.4	4.6	5.1			
Civilian labor force, no. of persons (thous.)	5,840	5,854	5,661	5,933	5,913	5,719	113.9	113.6	109.8
Initial claims for unemployment benefits	69,290	82,601	69,608	77,104	96,212	83,691	53.9	67.2	58.5

Consumer Prices, all items	Urban Indexes (1982-84 = 100) 1989 April	1989 May	1988 May	Percentage Change Month Ago	Year Ago
U.S. city average	123.1	123.8	117.5	+0.6	+5.4
Philadelphia	126.7	127.9	120.9	+0.9	+5.8
Pittsburgh	119.2	n.a.	114.5	n.a.	+4.1

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[1] Total includes workers on strike. * = figure revised † = figure for April 1988 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	April	Pct. chg.	Year-to-date	Pct. chg.
Total	6,362	- 0.7	24,378	1.7
Durables	2,327	- 6.2	8,792	- 3.0
Bldg. mat.		3.3		- 1.9
Auto dlrs.		- 12.6		- 9.5
Furniture		19.9		21.9
Other		- 3.1		6.6
Nondurables	4,035	2.7	15,586	4.5
Gen. mdse.		0.8		- 0.2
Food/grocery		- 0.2		3.0
Gas		8.3		2.1
Apparel		- 1.0		3.6
Eat/drink		15.6		10.6
Drugs		8.1		12.7
Other		- 9.1		4.1

Seas. adj. total: April 6,392
March 6,708

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census.
Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.

Industry data are subject to relatively large sampling variability. As a result, only pct. changes are shown.

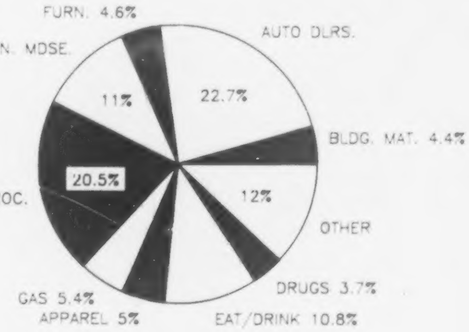
is retail sales. April sales are down from a year ago. On a year-to-date basis, they are up only 1.7 percent. When price gains are averaged in, this suggests that real sales have declined. Sales of durable goods have been especially sluggish, declining 6.2 percent (annual basis) in April and 3 percent on a year-to-date basis. Sales at auto dealerships have been weak. At best, gains in nondurable goods sales have kept pace with inflation in rising 4.5 percent on a year-to-date basis through April to $15.6 billion. The big gainers have been the eating and drinking and drug categories. (Beginning with this issue of the *PBS*, retail sales data will be reported in the tabular format found on page three.) Retail trade jobs have declined three consecutive months after adjusting for seasonality, including a loss of 1,000 in May.

An analysis of retail sales breakdowns by broad industry group shows that the "structure" of Pennsylvania retail sales is very similar to that for the U.S. (chart). Expenditures at auto dealers and for food and groceries account for essentially identical shares of total sales in the State and the nation. Sales of furniture and building materials account for a smaller share of Pennsylvania retail sales than they do nationally, but only slightly. Expenditures at eating and drinking establishments are relatively higher in Pennsylvania, but again, by a rather small amount.

On the resident employment/unemployment front, conditions worsened a bit in May. Employment declined to its lowest reading of the year while jobless counts rose to their highest levels of 1989. Still, monthly ups and downs in these measures of the economy's health have averaged each other out over the past several months, pointing to an overall holding pattern. Indeed, May's weaknesses have been counteracted by improvements in the June report, the first piece of economic news for the month.

While the weakness in several other indicators of economic activity has been documented, employment/unemployment trends during much of the first half of the year have been positive. While employment appears to have settled at a level just below 5.7 million, seasonally adjusted, if current trends hold through the second half of the year, 1989 will leave a record number of Pennsylvanians employed and the strongest employment growth rate of the decade. Joblessness is also quite low in historical terms.

1988 RETAIL SALES DISTRIBUTION BY CATEGORY



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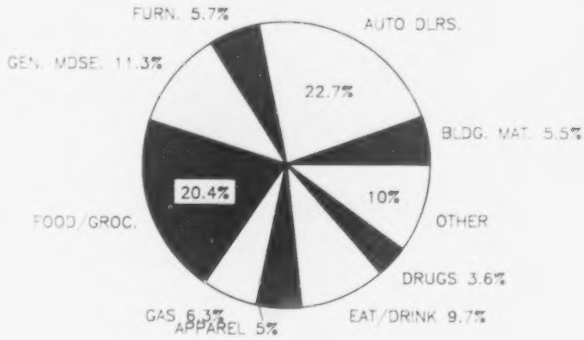

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One of the themes evident in recent issues of the *PBS* is that growth is becoming a bit more balanced across the geographic regions of Pennsylvania. **While, for the most part, the economies in the eastern half of the Commonwealth continue to outperform those in western Pennsylvania, it can be argued that the gap between the two is narrowing.** In some cases, it appears that growth in the west has picked up a bit while in others, growth has showed signs of slowing in the east. This more equitable distribution of growth is apparent in trends in resident employment. Nearly all eastern counties turned in above average employment growth rates (2.5 percent and above) over the 1983-1988 period (chart). Especially strong performances were turned in by several counties in southcentral, southeastern, and northeastern Pennsylvania. Notable exceptions included Philadelphia County and the Scranton-Wilkes-Barre region. Very few counties managed to perform on par with Statewide norms in western Pennsylvania. Those that did included Blair, Butler, Centre, Crawford, and Fulton Counties.

So far in 1989, growth has evened out a bit (chart). Above average growth (4.2 percent and above) stretches along the southern tier of counties as far westward as Somerset County. Erie and Mercer Counties have turned in strong performances. Elk and Cameron Counties have also moved into the "above average" group. The most noteworthy development in the eastern half of the State is a trend toward below average employment growth in several suburban Philadelphia counties.

Despite the negative slant to this analysis of Pennsylvania economic conditions, it is best not to ignore the positives which dot the economic landscape. In most cases, year-over-year growth in indicators of economic activity remains positive. Where activity has slowed, it has often done so from record levels. The current recovery is six or seven years old, quite long relative to past experiences. Talk of a recession is still premature. There is nothing inherently "wrong" with Pennsylvania's economy. Trends nationwide will determine the extent of the downturn and the timing of the next rebound. As an aside, however, should a "soft-landing" be missed and this downturn evolves into a recession, contentions by some that recent structural changes have left the Pennsylvania economy less subject to wide cyclical swings, especially on the downside, will be put to a test.

— *William D. Anderson*

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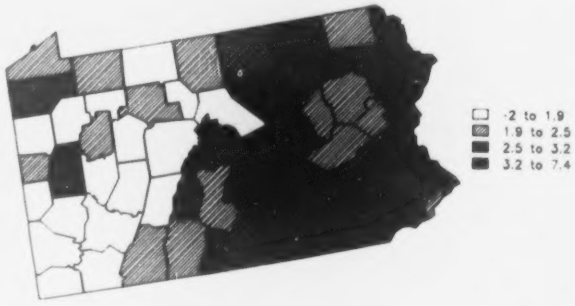
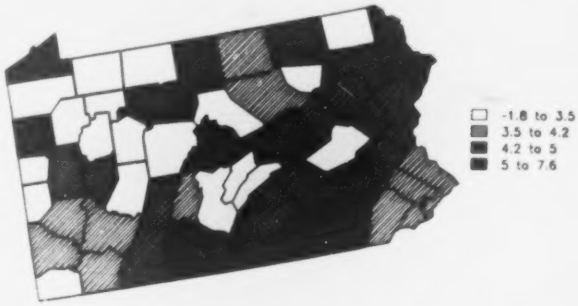
1983-1988 AVERAGE ANNUAL GROWTH IN EMPLOYMENT
(percent)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, BUR. OF RES. AND STATS.

1989 YTD GROWTH IN EMPLOYMENT
(percent)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, BUR. OF RES. AND STATS.

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ECONOMY CONTINUES UP-AND-DOWN PATTERN

Trends in Pennsylvania economic activity have been quite volatile during the course of the past several months. At times, the economy's health has appeared intact. At other times, readings of the economy's strength have pointed in the opposite direction. Conditions in June appear to have fallen into the former category. Recent trends may be taken as a sign of a gradual slowdown in economic growth in the Commonwealth, mirroring trends nationwide.

It is safe to say that **the economy has essentially reached a plateau around which activity will fluctuate in a relatively narrow band. As a result, most measures of the economy's health will likewise fluctuate around current readings. In that some sectors, especially on the nonmanufacturing side, appear to be operating at record levels, many indicators should remain at or near record highs.**

The news appears to be much better on the jobs and employment fronts in June. After three consecutive months of decline, nonfarm jobs grew on a seasonally adjusted basis in June. Job levels remain just below the all-time high set in February of this year. On an unadjusted basis, establishment jobs totaled 5,136,000 in June, the highest reading for that month on record. Not surprisingly, **the service industries led the way in creating approximately 10,000 jobs. Construction also reversed its downtrend in recent months as jobs rose by a stronger than normal 12,000. Still, construction activity continues to show signs of abating** (tables). Compared to June 1988, 23 percent fewer housing units were authorized by permit this past June. So far this year, authorizations are down 17 percent compared to the first half of 1988. Awards are also down for nonresidential projects. Of the 14 metropolitan counties in Pennsylvania which have all permitting authorities surveyed each month (the others only have a portion surveyed and analyzing the data is ill-advised), the vast majority show a slowing pattern of housing unit authorizations. Although not as pronounced, weakness on the nonresidential side is also evident in several of these counties. (The county-level data will be reported on a quarterly basis, in conjunction with the "Around the State" section of the *Survey*.)

New Pennsylvania building permit authorizations (percent change from year ago)

	June	Pct. chg.	Year-to-date	Pct. chg.
Residential	4,588	−22.5	24,363	−17.0
Nonresidential	2,582	−13.9	11,279	− 2.6

Source: U.S. Dept. of Commerce, Bureau of the Census.

Most indicators suggest that retail activity continues to slide in Pennsylvania. The growth in sales and use tax collections by the Pennsylvania Department of Revenue has slowed, but only slightly. However, a relatively large decline has occurred in the growth in collections related to purchases of motor vehicles. While these collections grew at double-digit rates over the 1986-1987 period, growth has dropped off of late to the 7-8 percent range. Jobs in the retail sector declined on a seasonally adjusted basis for the third time in four months to stand at their lowest reading since last December. Retail sales continue to show only sluggish growth in the Commonwealth (table). Through the first half of this

New PA metropolitan county bldg. permit authorizations (percent change from year ago; only those counties shown are asked to report all permitted activity)

	1989: IIQ	Pct. chg.	Year-to-date	Pct. chg.
Residential units				
Allentown-Beth. MSA	753	−34.0	1,300	−37.2
Carbon	71	−22.8	121	−44.0
Lehigh	351	−35.2	659	−18.5
Northampton	331	−34.7	520	−50.3
Beaver County MSA	109	41.6	174	47.5
Philadelphia MSA	3,204	−27.4	5,932	−27.0
Bucks	773	−36.1	1,753	−19.3
Chester	788	−17.8	1,551	−18.3
Delaware	279	−23.6	515	−27.1
Montgomery	1,159	11.8	1,789	−16.8
Philadelphia	205	−75.7	324	−72.9
Pittsburgh MSA	1,487	−22.6	2,301	−21.5
Allegheny	933	−28.4	1,451	−27.0
Fayette	95	−26.9	138	−26.6
Washington	136	−13.4	220	− 9.1
Westmoreland	323	− 2.7	492	− 4.7
Adams County	208	−24.4	352	−23.5
Nonres. buildings				
Allentown-Beth. MSA	707	− 7.9	1,036	− 2.2
Carbon	41	2.5	58	−22.7
Lehigh	295	4.2	482	19.0
Northampton	371	−16.6	496	−14.3
Beaver County MSA	118	−13.9	151	−16.6
Philadelphia MSA	1,791	0.0	2,625	− 3.4
Bucks	631	−13.1	824	−23.5
Chester	356	− 0.8	624	8.9
Delaware	192	9.7	287	3.6
Montgomery	564	15.6	815	13.8
Philadelphia	48	11.6	75	2.7
Pittsburgh MSA	925	17.7	1,234	11.1
Allegheny	487	23.3	640	17.9
Fayette	95	15.9	144	11.6
Washington	163	− 9.9	203	−14.0
Westmoreland	180	40.6	247	21.7
Adams County	104	50.7	154	46.7

Source: U.S. Dept. of Commerce, Bureau of the Census.

year, sales totaled over $31 billion. This translates into a gain of 2 percent compared to the same period last year, not enough to keep up with price gains. Sales of durable goods remain especially sluggish.

Overall, the good news in the nonmanufacturing sector, at least in terms of jobs, appears to have outweighed the bad. The increase of 15,000 jobs, to 4,074,000 in June, was about twice as large as normal, resulting in a seasonally adjusted gain. This comes on the heels of two consecutive monthly declines.

Trends are not as encouraging in the factory sector. Although jobs rose by 7,000 in June, to 1,060,000, an increase of 9,000 was expected based upon an analysis of past seasonal trends. Furthermore, after averaging higher than year-ago readings since mid 1987, year-over-year growth in manufacturing jobs has once again turned negative in May and June. On the plus side, production, as measured by the Pennsylvania Manufacturing Activity Index, continues to fluctuate very narrowly around post-recession highs.

Export growth is often given credit for the robust pace of economic growth in the U.S. during 1987 and 1988. The increased competitiveness of domestically-produced goods in foreign markets pushed the nation's factory sector forward at a strong clip, pulling the rest of the economy with it. Only a minimal amount of data on export activity at the state level are available, and then only with a considerable lag. However, it does appear that Pennsylvania was situated nicely to take part in the export led growth during the mid 1980s.

Depending on the measure used, most of which revolve around export related shipments and employment, any

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	May	*June*	*June*	*May*	*June*	*June*	*May*	*June*	*June*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,116*	5,136	5,079	5,085*	5,091	5,034	111.4*	111.5	110.3
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,059*	4,074	4,014	4,033*	4,041	3,981	125.1*	125.4	123.5
Mining	28	28	30	28	27	29	57.9	57.1	60.2
Contract construction	240*	252	241	237*	240	230	129.0*	130.5	124.8
Transportation	151	149	148	149	148	147	92.5	91.9	91.5
Public Utilities	103	105	106	103	104	105	102.5	103.6	104.5
Wholesale trade	271	272	271	271	271	269	122.2	122.0	121.4
Retail trade	890*	891	890	888*	884	884	123.8*	123.3	123.2
Finance, insurance & real estate	297	300	296	297	297	293	136.5	136.6	134.5
Service & miscellaneous	1,373*	1,384	1,337	1,366*	1,375	1,328	158.4*	159.4	154.0
Federal government	139	140	141	138	139	140	107.9	108.1	109.5
State & local government	567	554	555	556*	556	556	95.5*	95.4	95.4
Manufacturing									
No. of wage and salary jobs (thous.)	1,053*	1,060	1,063	1,052*	1,050	1,053	78.4	78.2	78.5
Durable goods	601	605	608	598*	597	600	73.8*	73.8	74.1
Nondurable goods	453*	455	456	454	452	453	85.2	84.9	85.0
Ave. wkly. hrs. worked by prod. workers	40.5	40.8	41.2	40.7	40.6	41.0	103.0	102.8	103.7
Total wkly. person-hours worked (mils.)	29.4	29.8	30.0	29.4	29.3	29.6	76.7	76.4	77.1
Total wkly. payroll (mil. dols.)	309.3*	314.7	307.1	310.6*	311.0	303.4	138.2	138.4	135.0
Average hourly earnings (dollars)	10.53	10.58	10.23	10.55	10.61	10.26	180.4	181.4	175.4
Average weekly earnings (dollars)	426.47	431.66	421.48	429.04	430.80	420.61	185.5	186.2	181.8
Steel production (thous. tons)	1,120	1,003	1,131	n.a.	n.a.	n.a.	45.3	45.0	50.8
Industrial electric power sales (mil. kwh)	3,787	3,954	3,832	3,807	3,907	3,801	103.1	105.8	102.9
Mining									
Anthracite coal (thous. net tons)	276	253	282	277	261	286	56.6	53.5	58.5
Bituminous coal (thous. net tons)	5,739	5,143	6,078	5,102	5,012	5,850	72.3	71.1	82.9
Construction contracts awarded (mil. dols.)									
Total	921.5	1,100.4	1,187.2*	835.1	772.6	871.5*	259.6	240.1	270.9*
Residential building	411.8	408.6	422.1*	336.6	355.4	376.9*	239.2	252.6	267.8*
Nonresidential building	325.1	364.6	418.6*	319.4	242.9	287.7*	294.4	223.9	265.2*
Nonbuilding (utilities and public works)	184.6	327.3	365.0*	179.1	174.3	206.9*	247.1	240.4	285.4*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,598	5,709	5,487	5,641	5,675	5,451	117.4	118.1	113.4
Unemployed									
No. of persons (thous.)	256	272	327	272	240	295	67.8	59.8	73.6
Rate (percentage of labor force)	4.4	4.6	5.6						
Rate, seasonally adjusted				4.6	4.0	5.1			
Civilian labor force, no. of persons (thous.)	5,854	5,981	5,814	5,913	5,914	5,746	113.6	113.6	110.4
Initial claims for unemployment benefits	82,601	87,083	73,976	96,212	97,639	83,020	67.2	68.2	58.0

Consumer Prices, all Items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1989		1988		
	May	*June*	*June*	*Month Ago*	*Year Ago*
U.S. city average	123.8	124.1	118.0	+0.2	+5.2
Philadelphia	127.9	128.8	121.9	+0.7	+5.7
Pittsburgh	n.a.	120.4	114.3	n.a.	+5.3

[1] Total includes workers on strike. * = figure revised † = figure for May 1988 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	May	Pct. chg.	Year-to-date	Pct. chg.
Total	6,911	2.5	31,323	2.0
Durables	2,646	- 1.6	11,443	- 2.6
Bldg. mat.		- 12.3		- 4.8
Auto dlrs.		- 5.3		- 8.1
Furniture		24.4		20.9
Other		9.2		6.6
Nondurables	4,265	5.3	19,880	4.8
Gen. mdse.		- 1.4		- 0.5
Food/grocery		6.8		4.1
Gas		9.7		3.8
Apparel		6.7		4.6
Eat/drink		- 1.6		8.1
Drugs		20.4		13.8
Other		11.2		5.2
Seas. adj. total: May	6,631			
April	6,392			

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census. Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Industry data are subject to relatively large sampling variability. As a result, only pct. changes are shown.

number of industries appear to have a big stake in international markets. Seven industries (table), mostly in durable goods manufacturing, stand out, regardless of the measure used. In these industries, export related shipments as a percentage of all shipments in 1986 were slightly higher in Pennsylvania than in the U.S. (18.5 percent vs. 17.9 percent). Much the same is true for export related employment (18.8 percent in the Commonwealth compared to 18.1 percent in the nation). Although no data are available as they pertain to export related jobs, more than 51 percent of all factory jobs in Pennsylvania are found in these "export sensitive" industries as of this year's second quarter. This is similar to the nation's 53 percent share. These pieces of circumstantial evidence suggest that, at the least, **the importance of the export sector to the Pennsylvania economy is on equal footing with its importance nationally.**

If Pennsylvania was well situated to take part in the export led resurgence of the manufacturing sector, then why has manufacturing growth in the State lagged growth nationwide in recent years? (As pointed out in past issues of the *PBS*, output and job growth in the Commonwealth during the mid and late 1980s has trailed that in the U.S.) Definitive conclusions cannot be drawn in the absence of a more detailed analysis. A preliminary analysis of this issue as it relates to Pennsylvania and some surrounding states by economists at Philadelphia's First Fidelity Bank also gives rise to this same question. They suggest that relatively high wages and slower growth in productivity are possible causes for the relatively poor showing. Whether or not these conclusions are valid for the Commonwealth are debatable, but nonetheless, they merit further consideration as possible explanations.

The relative importance of the export sector:
some PA and U.S. comparisons

	1986 Export related shares (percent of tot.)				1989:IIQ job shares (percent of tot. mfg.)	
	Shipments		Employment			
	PA	U.S.	PA	U.S.	PA	U.S.
Chemicals	11.4	17.4	12.7	16.3	5.8	5.6
Prim. metals	22.5	23.3	22.8	23.1	6.8	4.0
Fab. metals	13.1	12.9	12.8	13.3	8.6	7.4
Nonelec. mach.	18.5	22.8	17.4	20.3	10.6	11.0
Elect. equip.	26.3	21.3	26.3	23.7	8.4	10.4
Trans. equip.	17.4	13.6	17.6	12.7	5.8	10.5
Instruments	19.4	16.5	18.6	17.8	3.4	4.0
Total for 7 industries	18.5	17.9	18.8	18.1	51.3	52.9

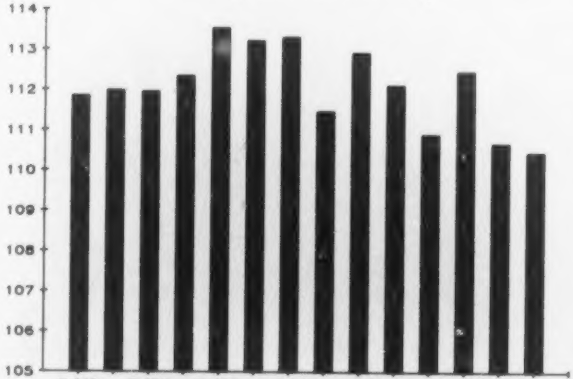
Source: U.S. Bureau of the Census; PA Dept. of Labor and Industry.

Resident employment in Pennsylvania grew by 30,000 during June, partially erasing two months of decline. Combined with the steady trend in the labor force, this helped push down the jobless rate to 4 percent, seasonally adjusted, its second lowest reading since the early 1970s. Clearly, **while some slowing has occurred in overall economic growth so far in 1989 in Pennsylvania, activity is still strong enough to employ and supply jobs for near record numbers of workers.**

Recent downward pressure on the Pennsylvania leading index of economic activity (chart) — it has declined two consecutive months and in five of the past seven — suggests that the State's economy is following the path to the so-called "soft landing." There is no formal definition of what constitutes such a scenario, and hence, when soft landings may have occurred in the past. However, economists at Pittsburgh's Mellon Bank and Columbia University's Center for International Business Cycle Research have concluded that a soft landing occurred as recently as the mid 1980s. (Mellon Bank pinpoints the 1985-1986 period while researchers at Columbia contend that the soft landing occurred over the 1984-1987 period.)

Last month's issue of the *Pennsylvania Business Survey* suggested that a soft landing, through its impacts on retailing and especially construction and manufacturing, could bring significant benefit to Pennsylvania as interest rates and inflationary pressures subside. If events unfold in a manner similar to the mid 1980s, these impacts may be felt. **During the 1987-1988 period, immediately following the most recent soft landing (at least according to the previously mentioned sources), economic growth was quite impressive in the Commonwealth.** Indeed, it can be argued that the State performed at least on par with the U.S. over

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

this period after several years of below average showings. An extended period of less than spectacular, though still positive, growth may not be an especially high price if the payoff is a period of sustained growth similar to that in 1987-1988.

— *William D. Anderson*

Around the State

Northeastern Quarter

Allentown-Bethlehem

In the May 1989 issue of the *Survey*, it was suggested that the performance of the Allentown-Bethlehem metro area economy as the typically strong warm weather months approached would tell a good deal about its underlying strength. With a full slate of second quarter data available, it appears that only an average performance was turned in. Trends in employment, factory jobs, the average workweek, industrial power sales, and construction activity point to a slowing pace of growth, though the dropoff is not especially worrisome.

Nonmanufacturing continues to shore up the economy. Job levels rose by a stronger-than-normal 7,100 in the second quarter to 206,700. This translates into another record as job levels have advanced nearly nonstop since the end of the recessions of the early 1980s. However, a slowing pattern is evident. Over the 1982-1988 period, nonfactory establishment job growth averaged 3.9 percent yearly. So far in 1989, it has come in at 2.8 percent.

Construction activity appears to have slowed considerably. Both residential and nonresidential construction contract awards have declined in value between the first halves of 1988 and 1989. In the three Pennsylvania counties of the metro area, one-third fewer housing units have been authorized so far this year compared to the first half of 1988. The number of nonresidential permits is off by 2 percent.

After holding steady for two years, factory job levels have once again started to trend downward this year, but only marginally. At 77,100 in the second quarter, manufacturing jobs are off by 600 from a year ago. The region's largest manufacturing industry, apparel products, has lost 400 jobs through the first half of the year. The second largest, primary and fabricated metals, has added 100 workers.

The region's rebound over the past several years has been reflected in improvement in employment and unemployment. In the second quarter, these improvements eased as seasonally adjusted employment dipped slightly. However, that decline is from a record, so it is not cause for much concern, yet. If long-term trends in any indicator suggest that the economy continues to expand at a rapid pace, it is trends in employment and unemployment. So far in 1989, 13,400 more residents are counted as employed compared to a year ago. If carried through the year, such a performance would be the most impressive on record. Second quarter employment, at 321,100, is the highest reading for the three months on record. At a seasonally adjusted 4 percent, second quarter's jobless rate is up slightly from the first quarter's 3.9 percent. However, a decline of 0.3 percentage point occurred compared to 1988.

Allentown-Bethlehem Area[1]

	Ave. mo. value 2 Q '89	Average monthly index seas. adj. (1977 = 100) 2 Q '89	1 Q '89	2 Q '88
Employment *(in thousands)*				
Employed, no. of residents	321.1	118	118	113
Unemployed, no. of residents	13.6	66	63	69
Rate, seasonally adjusted	4.0			
Civilian labor force, no. of residents	334.7	114	114	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	283.7	110	110	108
Nonmfg. only, no. of jobs	206.7	138	137	135
Mfg. only, no. of jobs	77.1	71	72	72
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	103	104	105
Industrial electric power sales				
Metropolitan area	...	110	116	112
Allentown	...	98	99	98
Bethlehem	...	118	128	121
Easton	...	115	119	116
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	168.4	– 12		
Nonresidential contracts only	98.8	– 14		

[1] Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre

Overall employment and unemployment trends through the first half of the year are quite positive in the Scranton-Wilkes-Barre region despite some softening in the second quarter. Resident employment rose by 2,900 in the April-June period to 345,900, a record for the period. However, this gain is a bit less than usual for this time of year, resulting in a seasonally adjusted decline. Partly as a result, the seasonally adjusted jobless rate rose from 5 percent in the first quarter to 5.3 percent in the second. On a year-to-date basis, employment is up by 14,800. This has helped absorb a net inflow into the labor force of 11,800 and reduced the number of unemployed by 3,000.

When it comes to the ability to generate new jobs, the region's manufacturers continue to tread water. The 72,100 factory jobs in the second quarter represent a slight gain of 100 over a year ago. Job levels have fluctuated, at or near all-time lows, in a very narrow band for about the past 30 months. Still, industrial power sales, a rough proxy for production trends, continue to move foward. Additionally, the 38.6 hour average factory workweek is relatively high in historical terms. So, a simple focus on job trends probably leads to an overly-pessimistic review of the factory sector's health in the region.

After rising nearly nonstop for five years, nonmanufacturing jobs in the region's establishments have showed signs of topping out so far this year. Still, the plateau is a lofty one as the 231,500 positions in the second quarter equal the all-time high after seasonal trends are taken into account. Indicators of construction activity are somewhat mixed. While the value of nonresidential contract awards is down by one-fourth so far this year, valuations are up on the residential side. However, a sample of permit issuing authorities suggests that the number of new residential units authorized by permit is off a bit from last year. Although definitive conclusions cannot be drawn based upon preliminary trends, it is safe to say that the growth in residential activity has slowed considerably over the 1988-1989 period.

Scranton-Wilkes-Barre Area[1]

	Ave mo value 2 Q '89	Average monthly index seas adj (1977 = 100) 2 Q '89	1 Q '89	2 Q '88
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	345.9	123	124	118
Lackawanna County[2]	105.4	117	118	113
Luzerne County[3]	153.1	116	117	112
Unemployed, no. of residents				
Metropolitan area	18.7	62	59	67
Rate, seasonally adjusted	5.3			
Lackawanna County[2]	5.5	58	51	58
Luzerne County[3]	9.3	64	63	73
Civilian labor force, no. of residents				
Metropolitan area	364.6	117	117	113
Lackawanna County[2]	110.9	112	112	108
Luzerne County[3]	162.3	111	111	108
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	303.7	116	116	114
Nonmfg. only, no. of jobs	231.5	130	130	128
Mfg. only, no. of jobs	72.1	86	87	86
Hrs. worked by production workers in mfg., *ave. weekly*	38.6	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	...	120	113	112
Lackawanna County[2]	...	134	121	127
Luzerne County[3]	...	108	103	96
Hazleton	...	98	92	86
Wilkes-Barre	...	112	110	101
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	185.6	+17		
Nonresidential contracts only	69.4	-28		

[1] Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2] Includes Scranton
[3] Includes Wilkes-Barre and Hazleton
[4] Excludes Wyoming County

The structural changes which have taken place in the overall economy in recent years are certainly evident in the region. The share of jobs accounted for by the service-producing industries is up between 1979 and 1988 in each of the four counties for which data are available: Columbia (50 percent in 1979 to 54 percent in 1988), Lackawanna (61 to 70 percent), Luzerne (57 to 71 percent), and Monroe (74 to 78 percent).

A review of recent trends suggests that great strides have been made in this section of northeastern Pennsylvania since the start of the recovery around 1982/1983. Except for those that pertain to the factory sector, most economic measures suggest that activity may have been at all-time highs as 1989 began. Hence, the slight slowdown evident so far this year does not appear to be especially threatening, though only time will tell how steep the dropoff will be.

Williamsport

After several years of above average growth, trends through the first half of this year suggest that conditions have cooled a bit in Lycoming County. Still, the level of absolute activity appears to be holding steady. The apparent slowdown is in the rate of growth and should not be interpreted as a sign of imminent recession. For instance, nonfarm job levels held steady in the second quarter after adjustment for normal seasonal ups and downs after rising by 700 in the first quarter. However, they held steady at an all-time high. The advance in factory jobs from recession-induced record lows in the early 1980s came to a halt at the beginning of 1988. In fact, job totals fell below year-ago readings in last year's second half and have remained so since. Second quarter's 16,200 jobs are off by 500 from a year ago and are also less than first quarter's reading after seasonal adjustment.

Williamsport Area[1]

	Ave mo value 2 Q '89	Average monthly index seas adj (1977 = 100) 2 Q '89	1 Q '89	2 Q '88
Employment *(in thousands)*				
Employed, no. of residents	57.8	124	124	119
Unemployed, no. of residents	3.4	76	69	64
Rate, seasonally adjusted	5.7			
Civilian labor force, no. of residents	61.2	119	120	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.1	113	113	111
Nonmfg. only, no. of jobs	35.9	126	125	122
Mfg. only, no. of jobs	16.2	91	92	94
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	102	101	105
Industrial electric power sales	...	94	94	92
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	15.3	+42		
Nonresidential contracts only	6.9	-58		

[1] Lycoming County

Nonmanufacturing continues to account for the bulk of all new jobs in the Williamsport metro area. Second quarter's 35,900 jobs, a new record, represent a gain of 1,300 over a year ago. Service jobs account for 400 of these new positions. The construction industry has also added workers. The value of residential construction contracts granted is up 42 percent so far this year and a sampling of permitting agencies suggests that the number of new housing units authorized has also increased. On the nonresidential side, however, contract values are down on a year-to-date basis.

A slight deterioration in growth is also evident in second quarter resident employment trends. It appears that the typical warm weather advance in employment was not as pronounced this year as the number of residents counted as employed rose by 900 to 57,800. Seasonal trends typically account for a gain of 1,400 in the second quarter. Still, this represents the highest April-June reading on record. The region's seasonally adjusted 5.7 percent jobless rate in the second quarter translates into a gain of 0.5 percentage point from the first quarter. Furthermore, the unemployment rate was up 0.7 point from a year ago.

Southwestern Quarter

Altoona

The possibility of a slowdown in economic activity in Blair County was hinted at in the May issue of the *PBS* in expectation of a general slowing in the nation's economy. While that slowdown has apparently arrived, it has subtracted little from the gains which have been racked up in recent years. Still, depending on the length and severity of the national slowdown, the next several months could be rather sluggish, at best. The first signs of a slowdown are evident in second quarter trends in the labor force and employment as each declined on a seasonally adjusted basis. Still, employment, at 57,000, was at its highest second quarter total on record and the jobless rate actually inched downward, from 5.8 percent, seasonally adjusted, in the first quarter to 5.7 percent in the second. While these trends do not point to a booming economy, they also do not suggest that a recession in the near-term is likely. As a result, any further slowing this year is not expected to be especially painful.

Nonmanufacturing job levels continue to advance as another record has been set in the second quarter. But even here, there are signs of a minimal slowdown. All told, the 41,300 second quarter jobs in these establishments represent a gain of 800 from a year ago. So far this year, jobs are up 2 percent, down slightly from the 2.8 percent average for the 1983-1988 period. One-half of the net new jobs generated so far this year have come in retail trade. Construction trends appear mixed. Jobs are off slightly so far in 1989. The trend in contract values has been sluggish. However, a sample of permit issuing authorities suggests that activity is up on the residential side.

Factory jobs have been on a downtrend for 18 months. The month-to-month declines have not been especially pronounced, but they have added up. Compared to a year ago, second quarter job totals are down by 200. On a seasonally adjusted basis, they are off by 500 from the first three months of 1988. As a result, job levels stand just slightly above all-time lows. On the bright side, it is not out of the question that future declines in inflationary and interest rate pressures resulting from the U.S. economy's soft landing, should it occur, could give these industries a boost. However, the resulting increase in jobs is likely to be minimal, in part because of continued emphasis on cost-cutting and productivity improvements.

Altoona Area[1]

	Ave mo value 2 Q '89	Average monthly index seas adj (1977 = 100) 2 Q '89	1 Q '89	2 Q '88
Employment *(in thousands)*				
Employed, no. of residents	57.0	110	111	106
Unemployed, no. of residents	3.4	89	90	105
Rate, seasonally adjusted	5.7			
Civilian labor force, no. of residents	60.5	109	109	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.2	102	102	100
Nonmfg. only, no. of jobs	41.3	108	108	106
Mfg. only, no. of jobs	10.9	82	83	84
Hrs. worked by production workers in mfg., *ave. weekly*	40.0	104	106	106
Industrial electric power sales	...	76	76	78

Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	7.7	+ 1
Nonresidential contracts only	18.8	− 38

[1] Blair County

Johnstown

Although second quarter trends are somewhat suspect, there is no denying that the first half of 1989 was encouraging relative to previous readings of the Cambria/Somerset County region. Overall growth in the region was quite strong over the 1987-1988 period. While it can be argued that some slowing has occurred since then, it does not appear that the area has given back much, if any, of the gains recorded earlier. For instance, while seasonally adjusted nonfarm job levels did slip slightly in the April-June period, they have still averaged 1,500 higher so far this year compared to the first half of 1988.

Factory jobs continue to climb upward at a very slow pace. Second quarter's 13,800 jobs represent an increase of 200 compared to a year ago. However, jobs are down slightly on a seasonally adjusted basis from the first quarter. The region's largest goods-producing industry, primary metals has maintained 300 more jobs through this year's first six months compared to a year ago. Other measures of the manufacturing sector's health, such as the average workweek and sales of electricity to industrial customers, point to some weakness in the pace of activity.

Some second quarter deterioration is also evident in nonmanufacturing jobs but the year-over-year showing remains impressive. On a seasonally adjusted basis, job levels are down in the second quarter from the January-March period. However, the 66,900 positions in these establishments still represent a gain of 1,000 from the same period in 1988. In fact, the 1.9 percent gain in nonfactory jobs so far this year, represents a slight improvement over the 1.5 percent average from the 1983-1988 period. So far this year, job gains have been realized in the retail trade (+700), government (+300), services (+300), and transportation and public utilities (+100) industries compared to 1988.

The spring/summer season did not get off to an especially impressive start based on employment/unemployment trends. The gain in employment was not as large as normal, resulting in a seasonally adjusted decline. Also, the decline in joblessness was not as pronounced as it usually is in the second quarter. As a result, the seasonally adjusted jobless rate rose from 5.9 percent in the first quarter to 6.6 percent in the second. Still, the unemployment rate remains below readings from a year ago. Additionally, employment in the second quarter, at 90,700, was the highest reading for the period since 1980, despite the seasonally adjusted decline from the first quarter. Clearly, the slowdown in overall economic growth has done a minimal amount of damage to date.

Pittsburgh-Beaver Valley

Economic activity continues to move forward in the five counties making up the Pittsburgh-Beaver Valley metro area, but not at an especially impressive pace. Furthermore, there are signs of a potential downtrend in activity based on second quarter indicators which would fall in line with the scenario unfolding in the nation as a whole.

After adjusting for seasonality, employment fell for the third time in five quarters in the Pittsburgh region. Still, 36,800 more residents are counted as employed this year compared to last year's second quarter. The 937,700 employment total is the highest for the April-June time frame on record. Springtime gains in Beaver County employment have not been as pronounced as usual this year, resulting in a seasonally adjusted decline. On a brighter note, employment so far in 1989 is higher than year-ago readings for the first time since 1986. Second quarter's 55,600 employed residents represent a gain of 1,100 from 1988. As a result, the jobless rate dipped to 7 percent from 9.3 percent last year. Pittsburgh's 4.5 percent rate is 1.2 percentage points below 1988:IIQ.

Johnstown Area[1]

	Ave mo value	Average monthly index seas adj (1977 = 100)		
	2 Q 89	*2 Q 89*	*1 Q 89*	*2 Q 88*
Employment *(in thousands)*				
Employed, no. of residents	90.7	94	95	90
Unemployed, no. of residents	6.2	59	52	64
Rate, seasonally adjusted	6.6			
Civilian labor force, no. of residents	96.9	91	91	88
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	80.7	91	92	90
Nonmfg. only, no. of jobs	66.9	100	100	98
Mfg. only, no. of jobs	13.8	64	65	63
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	101	102	102
Industrial electric power sales	***	164	172	189
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	20.1	− 31		
Nonresidential contracts only	35.3	+ 260		

[1] Cambria and Somerset Counties

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	2 Q '89	*2 Q '89*	*1 Q '89*	*2 Q '88*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	937.7	108	109	104
Beaver County	55.6	66	66	64
Unemployed, no. of residents				
Pittsburgh[1]	43.8	71	68	88
Beaver County	4.2	66	67	87
Unemployment Rate, seas. adj.				
Pittsburgh[1]	4.6			
Beaver County	7.3			
Civilian labor force, no. of residents				
Pittsburgh[1]	981.6	106	106	103
Beaver County	59.8	66	66	66
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	886.6	101	101	100
Beaver County	49.2	64	65	65
Nonmfg. only, no. of jobs				
Pittsburgh[1]	759.7	116	116	115
Beaver County	39.8	104	105	104
Mfg. only, no. of jobs				
Pittsburgh[1]	126.7	57	58	57
Beaver County	9.4	25	25	25
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	41.9	n.a.	n.a.	n.a.
Beaver County	43.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	62	64	61
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	246.8	− 4		
Beaver County	11.8	+ 22		
Nonresidential contracts only				
Pittsburgh[1]	293.3	+ 3		
Beaver County	10.8	− 2		

[1] Allegheny, Fayette, Washington and Westmoreland Counties
[2] Beaver County

The region has lost a large number of residents who have moved elsewhere, many for economic reasons. In Beaver County, this out-migration amounted to 8.4 percent of its population between 1980 and 1987 (17,200 residents left the region). Allegheny County lost 7.1 percent of its residents (−102,300). Fayette County lost 4.8 percent (−7,600), Westmoreland County lost 4.5 percent (−17,700), and Washington County lost 3.9 percent (−8,400). Had they stayed, many would have been counted as unemployed or dropped out of the labor force.

Nearly all new jobs in the region continue to be generated in the nonmanufacturing sector, though growth is not especially impressive. The 759,700 nonfactory jobs in the Pittsburgh region in the second quarter represent a gain of 10,100 from a year ago. For the first half of 1989, nonmanufacturing jobs are up 1.3 percent, down a bit from the 1.9 percent average from earlier years. In Beaver County, jobs are off slightly from a year ago, from 40,100 to 39,800 this year. On a seasonally adjusted basis, jobs have declined in each of the past two quarters. Construction activity is mixed. Permit and construction contract data suggest that residential activity is down in the Pittsburgh portion but up in Beaver County. On the nonresidential side, the opposite appears to be the case.

A flat trend has been evident in manufacturing job levels since the beginning of 1987, bringing a stop to an extended period of decline. Unfortunately, job levels have bottomed out at or near all-time lows. The 126,700 factory positions in the Pittsburgh region are less than 60 percent of the total from the late 1970s. The 9,400 jobs in Beaver County are only 25 percent of the total from a decade ago. The strength in nonmanufacturing has barely offset the weakness in manufacturing, allowing total nonfarm job levels to expand slightly in this year's second quarter in the Pittsburgh region. In Beaver County, nonfarm jobs continue on the downward track evident since the early 1980s.

The region is in a sluggish growth pattern. The next several months will not result in any significant improvement as the nation's economy is expected to slow further or, at best, hold steady. However, should the soft landing of the economy be successful, this region may stand to benefit in the future to a great degree due to the impacts of declining interest rates and inflation on the durable goods manufacturing component.

State College

Although second quarter's 56,700 nonfarm jobs represent a record high for Centre County after seasonal adjustment, some signs of slowing are evident. So far this year, job totals are up by 1,700 from the first half of 1988. If second half results do not improve on this performance, 1989 will result in the smallest advance in establishment jobs in three years. Manufacturing jobs continue to hold their own as they settled at 8,000 in the second quarter, up slightly from a year ago and from first quarter totals after seasonal adjustment. Factory jobs so far this year are up only 200 on an annual basis. This comes on the heels of an advance of 400 jobs in 1988. While the manufacturing job picture was not overly impressive in the second quarter, trends in electricity sales to industry and the average factory workweek suggest that the sector, though far from booming, remains healthy in the region.

In absolute terms, the majority of all new jobs continue to be generated in the nonmanufacturing sector. The 48,600 positions maintained in these establishments over the April-June period equal the record set in the first quarter after seasonal adjustment. The 3.1 percent advance in nonfactory jobs so far this year falls a bit short of the 3.7 percent average

State College Area[1]

	Ave mo value 2 Q '89	Average monthly index seas adj (1977 = 100) 2 Q '89	1 Q '89	2 Q '88
Employment *(in thousands)*				
Employed, no of residents	61.3	147	149	140
Unemployed, no of residents	2.7	104	106	116
Rate, seasonally adjusted	4.4			
Civilian labor force, no of residents	64.1	145	146	139
Local industries *(in thousands)*				
All nonagricultural ind., no of wage and salary jobs	56.7	140	139	136
Nonmfg only, no of jobs	48.6	142	142	139
Mfg only, no of jobs	8.0	124	122	121
Hrs worked by production workers in mfg, *ave weekly*	39.3	n.a	n.a	n.a
Industrial electric power sales	***	139	129	125
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	37.8	+ 9		
Nonresidential contracts only	68.5	+ 76		

[1] Centre County

from the 1982-1988 period. Retail establishments, the region's largest private sector employer, have added 500 workers so far this year in Centre County. Construction trends suggest that activity is up for the year based on the value of contracts awarded. A sample of permit issuing authorities suggests that the number of new housing units authorized is also up on a year-to-date basis, with all of the gain occurring in the first quarter. Construction jobs are up by 100. Still, it is quite doubtful that the rapid pace of building activity during the mid 1980s will be repeated soon in the region.

The slowing pace of economic growth in the second quarter is especially evident in the resident employment and unemployment data. Both employment and the labor force fell in the April-June period when historical trends suggest that an increase should occur if only for seasonal reasons. As a result, the jobless rate held steady at a seasonally adjusted 4.4 percent. Still, recent trends in these measures of overall economic activity should not be looked at too negatively as year-over-year gains are still evident. In fact, in rising by 2,900 from a year ago to 61,300, resident employment recorded its highest second quarter reading on record. Hence, while a slowdown appears to be in the process of unfolding, the deterioration which has occurred so far has been relatively minor.

Northwestern Quarter

Erie

The general economic slowdown which is occurring throughout the nation and in Pennsylvania shows up in some second quarter trends in Erie County. The next several months are likely to bring further reduction in the overall rate of growth. Although it cannot be ruled out, a recession does not appear in the offing. In fact, with its heavy durable goods base (21 percent of all jobs in the region are found in these industries compared to 12 percent Statewide), the region may benefit greatly in the event of further declines in interest rates and inflation, a scenario expected by a sizable number of economists and analysts.

For the second quarter, the number of residents counted as employed fell from first quarter readings on a seasonally adjusted basis. In essence, the rise of 700 in the unadjusted data, to 126,700, was not as pronounced as is usually the case. Still, job levels are up by 6,500 for the first half of the year compared to the same period in 1988. This suggests that, despite some possible setbacks in the April-June period, longer-run trends remain positive. Erie County's 4.9 percent jobless rate in the second quarter was the lowest for the period since 1974. However, over those 15 years, employment rose 10 percent, less than one-third of the advance which occurred nationwide.

Trends are a bit more encouraging on the nonmanufacturing side where job gains registered so far this year look relatively strong compared to recent years. The 80,800 nonfactory jobs in the second quarter are a record high. So far this year, jobs are up 3.1 percent compared to an average gain of 2.1 percent over the previous six years. Despite a solid gain of nearly 50 percent in the value of residential construction contract awards, a sample of authorities issuing permits for new housing units suggests that activity is only holding steady at year-ago levels. Nonresidential contract values are down through the first half of the year. Building related jobs are up only slightly from 1988.

Manufacturing jobs started a slow upward climb early in 1987. If second quarter trends are an indication, this advance has come to a halt as seasonally adjusted job levels fell from the previous quarter. However, gains in prior months still leave job levels slightly higher than a year ago. The sector as a whole appears to be considerably healthier than only a few years ago.

Sharon

After rising nonstop since the beginning of 1987, manufacturing jobs dipped slightly in this year's second quarter on a seasonally adjusted basis in Mercer County. However, at 11,700 the unadjusted total was the highest reading for the second quarter since 1982. Declines in electricity sales to industry, a rough measure of production trends, and a drop of 1.1 hours from a year ago in the average workweek to 40.8 hours also point to some, though not a great deal of, softening in the factory sector. All of the job gain so far this year has come in the durable goods industries where payrolls are

Erie Area[1]

	Ave. mo. value 2 Q.'89	Average monthly index seas. adj. (1977 = 100) 2 Q.'89	1 Q.'89	2 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	126.7	114	115	109
Unemployed, no. of residents	6.6	70	68	85
Rate, seasonally adjusted	4.8			
Civilian labor force, no. of residents	133.2	111	112	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	116.6	105	106	103
Nonmfg. only, no. of jobs	80.8	119	119	116
Mfg. only, no. of jobs	35.7	83	84	82
Hrs. worked by production workers in mfg., *ave. weekly*	42.4	104	103	104
Industrial electric power sales	***	117	114	116
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	43.6	+49		
Nonresidential contracts only	28.2	−11		

[1] Erie County

Sharon Area[1]

	Ave mo value 2 Q '89	Average monthly index seas adj (1977 = 100) 2 Q '89	1 Q '89	2 Q '88
Employment *(in thousands)*				
Employed, no of residents	50 8	106	105	99
Unemployed, no of residents	2 2	59	47	62
Rate, seasonally adjusted	4 3			
Civilian labor force, no of residents	52 9	102	100	96
Local industries *(in thousands)*				
All nonagricultural ind, no of wage and salary jobs	44 4	97	97	93
Nonmfg only, no of jobs	32 7	112	111	108
Mfg only, no of jobs	11 7	71	72	67
Hrs worked by production workers in mfg, *ave weekly*	40 8	n a	n a	n a
Industrial electric power sales	* * *	116	120	113

Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	9 0	+ 1
Nonresidential contracts only	7 1	+ 51

[1] Mercer County

up by 900 workers compared to last year's first half.

Nonmanufacturing jobs continue to climb. The second quarter was expected to result in 1,100 more nonfactory jobs, compared to the first quarter, solely for seasonal reasons. However, 1,400 jobs have been added, resulting in a seasonally adjusted gain. The 32,700 positions in these establishments translate into the highest reading on record. Relative to a year ago, nonmanufacturing jobs are up by 1,100. Construction jobs are up by 200 so far this year and trends in contract values along with permit authorizations suggest that activity is at least holding its own, though the permit data are based only on a sample and may not reflect overall trends.

Whereas Pennsylvania as a whole saw employment decline on a seasonally adjusted basis between the first and second quarters, it picked up a bit in Mercer County. Indeed, the unadjusted gain of 1,600 to 50,800 is approximately 200 more than expected. This represents the highest second quarter total since 1981. Through the first half of the year, employment is up by 3,500. This has helped absorb an inflow into the labor force totaling 2,900 while, at the same time, it has reduced the number of unemployed by 500. Overall trends suggest that while a downtrend is not evident as yet in Mercer County, one cannot be ruled out, especially if growth continues at a weak pace nationwide.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

The general economic slowdown now in progress nationwide has had an impact in the four counties making up the Harrisburg-Lebanon-Carlisle metro area. The result has been a reduction in overall growth as opposed to a decline in the absolute level of economic activity. As with the State as a whole, it may be argued that the region has essentially reached a plateau. Fortunately, this plateau is a rather lofty one, allowing for relatively high levels of jobs and employment.

The seasonal upturn in second quarter resident employment fell barely short of expectations. All told, 317,900 residents are counted as employed, up 4,500 from the first three months of the year. A gain of 4,600 was expected, so employment fell marginally short of first quarter's record high reading after seasonal adjustment. Still, the most recent reading is the highest for the second quarter on record. Despite a jump from the first quarter on a seasonally adjusted basis, the April-June jobless rate averaged 3.4 percent, unadjusted, down 0.4 percentage point from a year ago.

Harrisburg-Lebanon-Carlisle Area[1]

	Ave mo value 2 Q '89	Average monthly index seas adj (1977 = 100) 2 Q '89	1 Q '89	2 Q '88
Employment *(in thousands)*				
Employed, no of residents	317 9	127	127	121
Unemployed, no of residents	11 3	74	68	78
Rate, seasonally adjusted	3.5			
Civilian labor force, no of residents	329 3	124	124	119
Local industries *(in thousands)*				
All nonagricultural ind, no of wage and salary jobs	306 2	124	123	121
Nonmfg only, no of jobs	254 5	132	131	129
Mfg only, no of jobs	51 4	95	96	95
Hrs worked by production workers in mfg, *ave weekly*	39 7	n a	n a	n a
Industrial electric power sales	* * *	90	90	94

Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	155 0	+ 21
Nonresidential contracts only	69 3	− 45

[1] Cumberland, Dauphin, Lebanon, and Perry Counties

Despite a questionable contribution from construction, the nonmanufacturing sector continues to turn in a strong performance. The value of nonresidential construction contracts are down by nearly one-half on a year-to-date basis. While residential contracts are valued one-fifth higher than last year, a sample of authorities which issue permits for new housing units suggests that activity is off so far this year. Job levels are down by 100 from a year ago. In nonmanufacturing as a whole, job levels moved forward to a new record in the second quarter, 254,500. To date in 1989, nonfactory jobs are up 2.3 percent. Statewide, these establishments are home to 1.9 percent more workers than a year ago.

Trends in the factory sector remain far from impressive, though over the long-run this region has fared better than most

Lancaster Area[1]

	Ave. mo. value 2 Q.'89	Average monthly index seas. adj. (1977 = 100) 2 Q.'89	1 Q.'89	2 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	219.7	140	140	133
Unemployed, no. of residents	6.7	77	80	89
Rate, seasonally adjusted	2.9			
Civilian labor force, no. of residents	226.4	137	137	131
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	189.8	133	133	130
Nonmfg. only, no. of jobs	129.9	152	152	147
Mfg. only, no. of jobs	59.5	104	106	106
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	102	102	102
Industrial electric power sales	* * *	146	143	140

Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd
Residential contracts only	146.0	+ 12
Nonresidential contracts only	59.9	+ 24

[1] Lancaster County

in terms of job trends in these industries. The 51,400 manufacturing jobs in the second quarter are down 200 from a year ago. Compared to first quarter totals, jobs are also down on a seasonally adjusted basis. Job levels in the largest manufacturing industry, food products, are up by 400 so far this year. Another indicator of activity in this sector, electricity sales to industry, has been on an erratic, but slight, decline since the beginning of 1988.

The ability of the region's nonmanufacturers to continue generating jobs has offset the weakness in the factory sector, allowing total nonfarm jobs to move forward. Since the general economic recovery began, roughly in 1982, nonagricultural job growth has averaged 2.6 percent in the region. Statewide, the average gain has been 1.6 percent.

Lancaster

As was forecast in the May issue of the *Pennsylvania Business Survey*, the economy of Lancaster County has moved sideways during the past several months after several years of rapid expansion. In that it comes while the economy is operating at a record level of activity, such a trend should not be looked at too negatively, especially since recent events are not being interpreted as the first signs of a recession. Instead, it is expected that most indicators will continue to fluctuate around current levels.

After several years of slight upward pressure on job levels, the number of manufacturing positions in the region has declined on a seasonally adjusted basis in the first half of 1989. Second quarter's 59,500 factory jobs represent a decline of 800 from 1988:IIQ. On a year-to-date basis, both durable and nodurable goods industries have reduced payrolls so far this year, by 300 and 400 workers, respectively.

Although growth did slow a bit, nonmanufacturing job levels still moved ahead in the second quarter. The seasonally adjusted gain from first quarter readings was the smallest since the first three months of 1985. Still, the 129,900 positions in these establishments represent a gain of 4,900 from the same period in 1988. So far this year, job gains have been spread across most industries. Only the mining and government categories have held job levels steady. Elsewhere, transportation and public utilities and wholesale trade each are home to 300 more jobs, the finance industry has generated 400 more jobs, retail trade employs 1,500 more workers than a year ago, and 2,300 more positions are housed in service establishments. Job growth totaled 600 positions in construction between the first halves of 1988 and 1989. Trends in contract values and in permit authorizations also point to further growth in building related activity.

After several years of practically nonstop growth, trends in the resident labor force data turned slightly negative. Both the labor force and employment turned down in the second quarter on a seasonally adjusted basis, though the drop barely put a dent in the improvements realized previously. Furthermore, long-term trends still remain encouraging. Employment and the labor force have advanced considerably so far this year compared to year-ago readings, while joblessness has declined. For the first time since the 1973/1974 period, the unemployment rate fell below the 3 percent, seasonally adjusted, reading in the second quarter as it settled at 2.9 percent.

Philadelphia Area[1]

	Ave. mo. value 2 Q '89	Average monthly index seas. adj. (1977 = 100) 2 Q '89	1 Q '89	2 Q '88
Employment *(in thousands)*				
Employed, no. of residents	2,357.3	125	127	122
Unemployed, no. of residents	89.0	50	51	56
Rate, seasonally adjusted	3.6			
Civilian labor force, no. of residents	2,446.3	119	120	117
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,192.4	120	120	119
Nonmfg. only, no. of jobs	1,826.3	132	132	130
Mfg. only, no. of jobs	364.5	82	82	83
Hrs. worked by production workers in mfg., *ave. weekly*	40.4	102	102	102
Industrial electric power sales	• • •	115	113	109
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	946.6	+ 1		
Nonresidential contracts only	1,039.6	+ 15		

[1] Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Philadelphia

There are clear signs of a slowdown in recent resident employment trends in the eight counties making up the Philadelphia metropolitan area. Between the second quarter of 1983 and the first quarter of 1988, employment rose on a seasonally adjusted basis in every quarter but two. Since then, it has declined in three of the five quarters. However, the 2,357,300 residents officially counted as employed during the most recent April-June period translate into a gain of 58,500 from 1988:IIQ. At the same time, the region remains home to one of the lowest jobless rates across the State's 15 metro areas, a seasonally adjusted 3.6 percent in the second quarter.

Since much of the region's growth is believed to be occurring in the suburbs, it is a bit surprising that employment growth so far this year is distributed almost identically across the Pennsylvania portion of the region. Bucks and Montgomery Counties have realized 3.7 percent gains in employment on a year-to-date basis. Chester, Delaware, and Philadelphia Counties are home to 3.6 percent gains.

As is the case with resident employment gains, nonfarm job growth, at 1 percent so far this year, falls below the 1.6 percent gain in Pennsylvania. Additionally, the gains recorded so far this year have been less than one-half the average advance for the 1982-1988 period. Despite this apparent weakness, establishment jobs have increased by 17,300 between the second quarters of 1988 and 1989 to 2,192,400.

The region's factories continue to contribute little, if any, to job growth. While there are periodic signals suggesting that job levels have bottomed out, the long-run trend continues to point down. More than 5,000 jobs were lost in these industries between the second quarter of last year and the same period in 1989. Jobs totaled 364,500 in the most recent quarter. Three of the four largest manufacturing industries in the region have lost jobs so far this year: printing and publishing (−300), nonelectrical machinery (−500), and electronic equipment (−1,000). Only the chemicals industry, with 700 more workers, has added jobs. On a brighter note, electricity sales to industry and the average factory workweek both remain at or near all-time highs which suggests that production remains fairly healthy.

The job picture in the nonmanufacturing sector is more encouraging, though some slowing is also evident. A gain of 21,200 jobs from a year ago pushed the number of nonfactory positions to 1,826,300, a new high for the April-June period. Gains recorded so far this year have been the smallest since the recovery began in the early 1980s. Although job levels are up, other indicators point to a sluggish performance on the part of construction, especially on the residential side where contract values are essentially unchanged from a year ago and the number of new housing permits is down by more than one-fourth on a year-to-date basis in the Pennsylvania portion of the region. Permit declines range from 17 percent in Montgomery County to 73 percent in Philadelphia County. Although contract values on the nonresidential side are up 15 percent this year, 3.4 percent fewer projects have been authorized by permit.

Nearly all indicators point to some slowing in the growth in overall economic activity in the region after several years of relatively solid gains. As was pointed out three months ago, the region is being outperformed by the State as a whole according to most measures of activity. It is not likely that the situation will improve much in the near-term as growth is expected to remain sub-par throughout the nation.

Reading

Economic activity continues to move ahead in Berks County according to trends through the second quarter. While the nationwide slowdown appears to have made an appearance in most other regions of the Commonwealth, there are few signs of appreciable slowing in the Reading metro area. Such a scenario, however, cannot be ruled out in the future.

Recent trends in factory jobs are impressive relative to the rest of Pennsylvania. Throughout the State, manufacturing jobs have dropped off a bit in recent months. In Berks County, job totals have advanced on a seasonally adjusted basis in each of the past three quarters. Second quarter's 48,700 manufacturing jobs represent a gain of 1,100 over a year ago. Sales of electricity to industrial customers continue to move upward, suggesting that production is on the rise. The average factory workweek, in declining slightly during the second quarter, stands just below all-time highs. While it is quite doubtful that the region will ever regain a significant share of the factory jobs lost as a result of the massive restructuring which has occurred in the economy over the past several years, it is quite important that a healthy manufacturing base be maintained. The factory sector accounts for 32 percent of all jobs in the region compared to 21 percent Statewide.

The moderate job gains being posted in manufacturing complement nicely continued strength on the part of nonmanufacturing. During the April-June period, job levels rose by 3,200 from the first quarter when a gain of only 2,300 was expected, pushing job totals to another seasonally adjusted record high. Jobs in these industries have been on the rise for at least the past quarter century. Even several bouts with recession barely put a dent in the climb in job levels. For the second quarter, the 105,600 jobs represent a gain of 3,500 from a year ago. Most indicators suggest that construction activity is holding its own.

Second quarter did bring some signs of a slowdown in the pace of resident employment growth in the region. All told, employment is up 1,600 from the first three months of the year, a gain in line with seasonal expectations. The 172,200 residents counted as employed is unchanged from first quarter readings after normal seasonal ups and downs are discounted. So far this year, employment is up by 9,600. This has helped absorb a net inflow into the labor force of 8,400 while reducing the number of unemployed by 1,200. These trends have resulted in continued downward pressure on the unemployment rate. Second quarter's 4 percent reading is among the lowest in the Commonwealth and is the lowest for the second quarter in 15 years.

Reading Area[1]

	Ave. mo. value 2 Q.'89	Average monthly index seas. adj. (1977 = 100) 2 Q.'89	1 Q.'89	2 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	172.2	128	128	121
Unemployed, no. of residents	7.2	74	75	84
Rate, seasonally adjusted	3.6			
Civilian labor force, no. of residents	179.4	124	124	119
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	154.3	117	116	114
Nonmfg. only, no. of jobs	105.6	130	129	126
Mfg. only, no. of jobs	48.7	96	96	94
Hrs. worked by production workers in mfg., *ave. weekly*	40.6	104	105	105
Industrial electric power sales	* * *	155	146	138
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	75.4	+ 7		
Nonresidential contracts only	89.7	+ 124		

[1] Berks County

York

The springtime advance in resident employment is not as strong this year in Adams and York Counties, resulting in a seasonally adjusted decline in the number of bi-county residents counted as employed. Still, there is not much cause for concern as employment fell only slightly from first quarter readings on a seasonally adjusted basis to its second highest reading on record. Furthermore, the 215,700 residents listed

York Area[1]

	Ave. mo. value 2 Q.'89	Average monthly index seas. adj. (1977 = 100) 2 Q.'89	1 Q.'89	2 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	215.7	140	142	134
Unemployed, no. of residents	8.6	82	81	86
Rate, seasonally adjusted	3.7			
Civilian labor force, no. of residents	224.3	137	138	131
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	179.5	126	126	124
Nonmfg. only, no. of jobs	117.8	142	142	138
Mfg. only, no. of jobs	61.7	104	104	103
Hrs. worked by production workers in mfg., *ave. weekly*	41.3	101	102	104
Industrial electric power sales	* * *	115	127	122
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-June)	Pct Change From Year-Ago Ytd		
Residential contracts only	119.4	+ 9		
Nonresidential contracts only	37.3	+ 13		

[1] Adams and York Counties

as employed is the highest reading for the April-June period on record. The area's jobless rate remains quite low, both in historical terms and relative to other regions of Pennsylvania, at a seasonally adjusted 3.7 percent.

There are also signs of slowing in the pace of nonmanufacturing growth in the second quarter. The 117,800 positions in these establishments over the April-June period represent a gain of 1,900 from the previous quarter, about 300 less than expected based on historical seasonal patterns. Still, year-over-year gains remain quite impressive. Some of the slowdown in nonmanufacturing activity may be the result of a slowing pace of construction activity. The value of contract awards is up only marginally so far this year. While building related jobs remain on an upward track, so far they are growing at less than one-half the pace from the previous six years. Housing permit authorizations in Adams County are off by nearly one-fourth so far in 1989. A sample of permit issuing authorities in York County also shows some decline in activity.

Factory jobs are down slightly from first quarter on a seasonally adjusted basis. However, a slow but steady upward trend over the past several months leaves job levels, at 61,700, up from a year ago by 700 positions. Trends in the average workweek and in electricity sales to industry also point to some slowing in factory activity. So far this year, durable goods industries have accounted for 700 new jobs while those on the nondurables side have chipped in with 200 new positions.

Taken together, trends in the several indicators used to gauge the economy's health point to some slowing in the overall pace of economic growth in the region. But nonetheless, growth remains positive. It is quite doubtful that growth in 1989 will come close to matching the gains posted during the robust 1987-1988 period. Still, in that the recovery is now several years old, such a performance is not too discouraging.

— *William D. Anderson*

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JULY IS A TOUGH ONE TO CALL

July appears to be one of those months when generalities, as they relate to the economy's overall performance, are hard to come by. **Too many indicators are pointing in too many different directions to allow for a confident reading of the economy's true health during the month.** Labor-management disputes played a role in the uneven picture. Problems with seasonal adjustment during a time of year that is typically volatile in several sectors also may have played a role. Nonetheless, **there is little in July's batch of statistics to suggest that the economy is veering from the slow-to-moderate growth path of recent months.**

The dropoff in total nonfarm jobs from June readings is not worrisome. All told, jobs fell by 33,000 in totaling 5,107,000. Such a decline exceeds expectations based on past seasonal trends. This represents the fourth time in the past five months that establishment jobs have declined on a seasonally adjusted basis. However, appearances can be deceiving. Labor-management conflicts in the mining industry account for a major share of the seasonal shortfall in job growth. One can only assume that the issues leading to these conflicts will eventually be resolved, pushing job levels back up. Likewise, the large seasonally adjusted decline in State and local government is probably the result of wide fluctuations in education-related employment and in the various summer jobs programs designed for youths. There has been a tendency for wide fluctuation in these data in the past during the summer months, so this year's trends are not especially alarming.

Except for these two broad industry groups, trends elsewhere in nonmanufacturing point to a holding pattern. In fact, of the eight other industry categories monitored in the *PBS*, combined job totals are up by a minimal 1,000 on a seasonally adjusted basis. **While nonmanufacturing job growth, at 1.9 percent so far this year, is down from the 2.6 percent average from the previous six years, it is not expected that July represents the start of a downward spiral in job trends.**

Indicators of retail activity continue to point to sluggishness. Jobs are down for the second consecutive month in July and for the fourth time in five months. During the first half of the year, retail sales are up only 2.8 percent from a year ago. Over the same period, consumer prices are up 5 percent which implies a decline in real or inflation-adjusted retail sales. Still, June appears to be one of the better months this year as the 4.6 percent annual advance in sales is the strongest since January.

Pennsylvania retail sales
(millions of dollars; pct. chg. from year ago)

	June	Pct. chg.	Year-to-date	Pct. chg.
Total	7,026	4.6	38,477	2.8
Durables	2,769	1.2	14,271	- 1.5
Bldg. mat.		- 2.8		- 2.6
Auto dlrs.		- 3.8		- 7.1
Furniture		21.5		21.9
Other		13.6		7.3
Nondurables	4,257	7.0	24,206	5.5
Gen. mdse.		- 0.6		- 0.4
Food/grocery		13.6		6.0
Gas		6.4		4.6
Apparel		12.5		6.0
Eat/drink		- 4.9		5.7
Drugs		10.2		13.1
Other		16.7		8.3
Seas. adj. total: June		6,852		
May		6,759		

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census. Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Industry data are subject to relatively large sampling variability. As a result, only pct. changes are shown.

New Pennsylvania building permit authorizations
(percent change from year ago)

	July	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,975	-5.2	28,346	-15.4
Nonresidential	2,239	-9.1	13,512	- 4.6

Source: U.S. Dept. of Commerce, Bureau of the Census.

Construction jobs have held steady at essentially record readings through the first several months of the year after a very strong showing in 1988. However, indicators of actual building activity paint a different picture. For the year, housing unit authorizations are off 15 percent which includes a decline of 5 percent from a year ago in July, the smallest drop so far this year. Declines in permit authorizations are also evident on the nonresidential side. So far in 1989, it is estimated that nearly $6.1 billion in contracts have been awarded for construction projects. This represents a gain of just 1.2 percent over 1988. Taking into account inflation, this suggests that activity is probably down a bit. On the bright side, June represents the first seasonally adjusted gain in total contract awards in four months. In looking at the year as a whole, the downtrend is especially evident in the nonbuilding category (public works, utilities, etc.), though trends on the residential and nonresidential sides are far from impressive.

The stronger-than-expected showing on the part of the manufacturing sector in terms of jobs during July may also be the result of causes not related to the sector's overall economic health. All told, **factory job levels are down by 6,000 during the month to 1,054,000. A decline of 11,000 is expected based on past trends, resulting in a seasonally adjusted gain of 5,000.** This information along with other data relating to payrolls, earnings, and hours worked suggest that the July downtrend in factory activity is not as pronounced in 1989 as in the past. Such an outcome could be the result of a misreading of seasonal trends during a typically volatile month. Another possible explanation is that, as a result of its timing, the data-collection process may have failed to pick up the usual vacation- and shutdown-related activity this year. If these or related "technical" explanations are valid, there is likely to be a downward "correction" in the data in coming months.

Given the rather sluggish slowing on the part of these industries of late — job levels declined for five consecutive months before July's advance — sound analysis would probably not conclude that the sector switched courses abruptly. While such a hypothesis cannot be cast aside, a few more months of similar news is required for it to be a plausible conclusion.

Changes in the structure of the Pennsylvania economy over the past several years have resulted in some interesting changes in the economic landscape. **Southwestern Pennsylvania, once perhaps among the most heavily industrialized regions in the nation, is now arguably the least industrialized portion of the Commonwealth, at least according to job trends** (charts). An analysis of job shares accounted for by manufacturing shows that the smallest shares

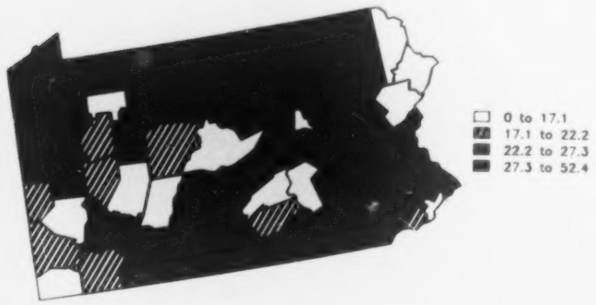
Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	June	*July*	*July*	*June*	*July*	*July*	*June*	*July*	*July*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,140*	5,107	5,048	5,096*	5,094	5,038	111.6*	111.6	110.3
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,079*	4,045	3,985	4,046*	4,039	3,979	125.5*	125.3	123.4
Mining	28	22	29	28*	22	29	57.7*	45.4	59.6
Contract construction	251*	259	251	240	240	232	130.4*	130.6	126.2
Transportation	149	143	143	148	148	148	91.8*	92.0	91.7
Public Utilities	104*	105	106	104	104	105	103.2*	102.8	104.2
Wholesale trade	274*	273	271	272	271	269	122.6*	122.1	121.2
Retail trade	892*	886	883	885*	884	881	123.5*	123.3	122.9
Finance, insurance & real estate	300*	301	297	297	297	293	136.7*	136.5	134.5
Service & miscellaneous	1,385*	1,386	1,339	1,376	1,379	1,332	159.6*	159.9	154.4
Federal government	140	140	141	139	139	140	108.6*	108.4	109.3
State & local government	555*	530	526	557	550	545	95.5*	94.3	93.6
Manufacturing									
No. of wage and salary jobs (thous.)	1,060	1,054	1,058	1,050	1,055	1,059	78.3*	78.6	78.9
Durable goods	604*	602	606	597	601	605	73.8	74.2	74.8
Nondurable goods	456*	453	452	453*	456	455	85.2*	85.6	85.4
Ave. wkly. hrs. worked by prod. workers	40.8	40.5	40.7	40.6	40.7	40.9	102.8	103.0	103.5
Total wkly. person-hours worked (mils.)	29.8	29.4	29.5	29.4*	29.6	29.7	76.5*	77.1	77.3
Total wkly. payroll (mil. dols.)	314.7	310.7	302.6	310.9*	314.1	305.8	138.4	139.8	136.1
Average hourly earnings (dollars)	10.57	10.57	10.27	10.60	10.59	10.29	181.2*	181.0	175.9
Average weekly earnings (dollars)	431.26	428.09	417.99	430.40	431.54	421.26	186.1*	186.5	182.1
Steel production (thous. tons)	1,003	941	1,142	n.a.	n.a.	n.a.	45.0	45.2	54.8
Industrial electric power sales (mil. kwh)	3,954	3,748	3,849	3,907	3,734	3,850	105.8	101.1	104.3
Mining									
Anthracite coal (thous. net tons)	253	211	246	261	220	258	53.5	45.1	52.8
Bituminous coal (thous. net tons)	5,143	4,154	4,444	5,012	5,213	5,621	71.1	73.9	79.7
Construction contracts awarded (mil. dols.)									
Total	1,100.4	851.3	925.5*	772.6	814.9	834.6*	240.1	253.3	259.4*
Residential building	408.6	379.6	394.3*	355.4	351.6	350.3*	252.6	249.8	248.9*
Nonresidential building	364.[illegible]	317.0	263.3*	242.9	327.3	264.0*	223.9	301.7	243.3*
Nonbuilding (utilities and public works)	327.3	154.7	267.8*	174.3	136.0	220.3*	240.4	187.6	304.0*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,709	5,684	5,596	5,675	5,561	5,469	118.1	115.7	113.8
Unemployed									
No. of persons (thous.)	272	277	316	240	261	301	59.8	65.1	75.0
Rate (percentage of labor force)	4.6	4.6	5.3						
Rate, seasonally adjusted				4.0	4.5	5.2			
Civilian labor force, no. of persons (thous.)	5,981	5,961	5,912	5,914	5,822	5,769	113.6	111.8	110.8
Initial claims for unemployment benefits	87,083	93,305	82,617	97,639	90,118	81,755	68.2	62.9	57.1

Consumer Prices, all Items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1989		1988		
	June	*July*	*July*	*Month Ago*	*Year Ago*
U.S. city average	124.1	124.4	118.5	+0.2	+5.0
Philadelphia	128.8	129.3	123.2	+0.4	+5.0
Pittsburgh	120.4	n.a.	114.3†	n.a.	+5.3

[1] Total includes workers on strike. * = figure revised † = figure for June 1988 n.a. = data not available

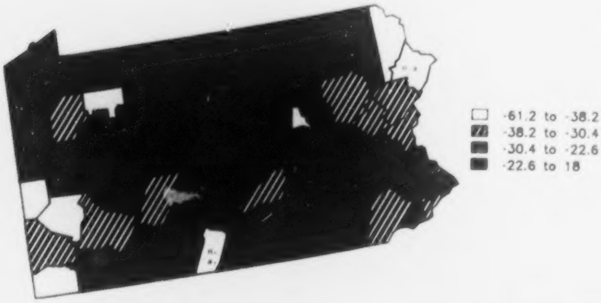
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

1988 MANUFACTURING JOB SHARES BY COUNTY
(percent of total)



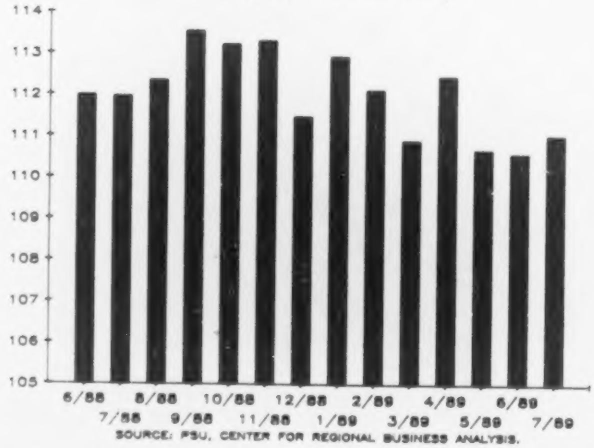
SOURCE: PA DEPT. OF LABOR AND INDUSTRY, BUR. OF RES. AND STATS.

1979-1988 CHANGE IN MANUFACTURING JOB SHARES BY COUNTY
(percent; data not available for Fulton and Pike Counties)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, BUR. OF RES. AND STATS.

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

Pennsylvania Composite Indexes

	Index		Percentage Change from Preceding Month	
	Leading	*Coincident*	*Leading*	*Coincident*
November 1988	113.3	86.2	0.1	0.5
December	111.5	85.8	−1.6	−0.5
January 1989	112.9	87.3	1.3	1.7
February	112.1	86.9	−0.7	−0.5
March	110.9	87.0	−1.1	0.1
April	112.5	86.0	1.4	−1.1
May	110.7	85.1	−1.6	−1.0
June	110.6	85.3	−0.1	0.3
July	111.0	85.0	0.4	−0.4

are found in several counties in southwestern Pennsylvania, including Allegheny and Cambria. Manufacturing's strongest representation appears to be along the northern tier of counties and in southcentral and southeastern Pennsylvania. Not surprisingly, the largest decline in manufacturing job shares over the 1979-1988 period occurred in southwestern Pennsylvania. Other noticeable declines occurred around the Scranton-Wilkes-Barre region.

The news is not good on the resident employment/unemployment front. **During a month when employment typically expands, partly due to the inflow of students into the summer workforce, it actually fell this past July.** The result is a decline of more than 110,000 from June on a seasonally adjusted basis. In absolute terms, there has not been a monthly decline of this magnitude since the summer of 1980. Partly as a result of the drop in employment, the jobless rate rose to 4.5 percent, seasonally adjusted, in July, up from 4 percent in June. Still, improvement is noted from last year. Compared to July 1988, employment is up by 88,000 and the jobless rate is down 0.7 percentage point.

As pointed out in recent issues of the *Survey*, the outlook for the Pennsylvania economy is not necessarily worrisome. Indeed, the index of leading indicators for the Commonwealth turned up in July after two months of decline (chart). Furthermore, a recent batch of impressive statistics at the national level suggests renewed strength. **Only time will tell if the U.S. economy has turned its soft landing into a soft takeoff or if indicators of slow growth will once again dominate. Whatever the outcome, it will go a long way in determining the future course of the Pennsylvania economy.**

— *William D. Anderson*

Personal Income Report

Trends in this year's first quarter as they relate to the growth in personal income help dispel concerns about an imminent recession in the Commonwealth. At a seasonally adjusted $205.1 billion during the January-March period, personal income is up 8.4 percent from a year ago. This is the second largest advance recorded during the current recovery which stretches back to the 1982/1983 period. Even after adjusting for inflation, first quarter trends remain encouraging. On a more negative note, several measures of personal income growth suggest that Pennsylvania, over the past year or so, is once again falling short of national norms. Such a trend merits monitoring in the future. Furthermore, growth from the previous three months slowed for the second consecutive quarter during the January-March period.

As the Pennsylvania economy has slipped into a slow-growth pattern, it is best not to take an overly-pessimistic view. Despite the downtrend in growth, the economy continues to move foward, with some sectors lagging and some performing at an above-average clip. At the same time, some measures of the economy's health point up, while others point down. Additionally, readings of the same indicator have a tendency to vary considerably from one period to the next. While first quarter trends in personal income are, for the most part, impressive, they may deteriorate a bit in the second quarter as the general economic slowdown is especially evident during that period.

Pennsylvania personal income
(seas. adj. ann. rate; millions of dollars)

		Pct. change			Pct. change	
	Personal income	Qt. ago	Yr. ago	Nonfarm personal income	Qt. ago	Yr. ago
1989:IQ	205,104	2.1	8.4	203,896	1.8	8.3
1988:IVQ	200,968	2.2	6.9	200,218	2.3	7.1

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis.

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